



PESTANA

VACATION CLUB

THE PESTANA FAMILY STORY

Told by Peter Booth, Business Vice President of Pestana Group

I met Dionísio Pestana when we studied for the same degree in economics at University of Natal in South Africa in 1972. It was a time when friendships were forged and in our case the friendship has endured for over 45 years of which more than 35 years have been working together in Portugal. Dónisio was a very good rugby player with the highlight being chosen for the combined university side that toured Britain in 1973. One of the players from that team went on to play for the Springboks.

Dionísio is the only son of Manuel and Caridade Pestana who both spent their youth in the small fishing village of Ribeira Brava in Madeira. Manuel Pestana was one of seven children who lived a very humble existence and received a limited education. Caridade also lived in a small home without electricity and her father tended their smallholding where they grew bananas and vegetables. In both families it was very much a case of subsistence living.

Manuel and Caridade married young and Manuel understood he had very limited prospects working on the island of Madeira, where most livelihoods were earned either from fishing or agriculture. Manuel Pestana wanted a better life and heard about South Africa and its wealth from mining gold and diamonds.



At the age of 26, he boarded a ship that left Madeira bound for Lourenço Marques in Mozambique. He would not see his wife Caridade for 6 years. He caught a train to Johannesburg where he started work as a farm labourer. With time and hard work he bought a greengrocery and then a bottle store. Working long hours and using his business instincts he grew his business and became a successful trader. Caridade joined him in 1951 and he then helped bring his siblings to Johannesburg establishing them in various small retail businesses.

Manuel then started to diversify into property and acquired an apartment building in the suburb Hillbrow from which he would receive rental income from tenants.

Dionísio was born in Johannesburg in 1952 and was educated at a local government school. By the age of 10 he was working on weekends in his father's bottle store to earn pocket money learning from an early age to handle cash and give the right change.

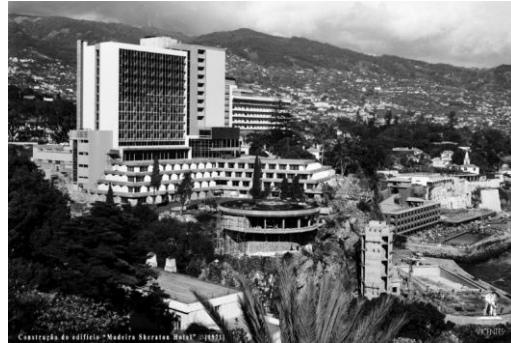


Manuel Pestana's first venture into the hospitality sector started with the construction of Predio Funchal in the centre of Lourenço Marques (now Maputo) in Mozambique. Predio Funchal was a large apartment building completed in 1964 and became a successful rental business. This building was his first venture investing outside of South Africa. I remember at least on one occasion driving from university with Dionísio from Pietermaritzburg via Swaziland to Lourenço Marques and staying in Predio Funchal where I have fond memories of eating chicken piri-piri and grilled prawns.



Now a successful businessman, Manuel Pestana felt strongly the ambition to invest in a hotel property on Madeira, the beautiful island that was his birthplace. With this objective, he acquired in 1966 the small hotel residence Atlantico, on the site that is today the Madeira Carlton Hotel. The construction of the hotel was started in 1969

and was completed in 1972. The American hotel group Sheraton was contracted to provide the management and operate the hotel.



In the early 1970s life was good for the Pestana family with their retail and property operations in Johannesburg, the apartment building in Mozambique and the new 5 stars hotel with prime location in Funchal. But things were to change.

In 1974 a military junta in Portugal overthrew the Salazar dictatorship that had ruled over one of the longest autocracies in Europe. The name Carnation Revolution comes from the fact no shots were fired and the population took to the streets to both celebrate the end of the dictatorship and the wars in the colonies of Mozambique and Angola. These events had dramatic social, economic and political implications for the country. At the time of the revolution the economy of Portugal was growing well above the European average and both investment in Portugal and consumer expenditure were strong. After the military junta took power, nearly 60% of the Portuguese economy was nationalised, vast areas of land in the Alentejo were expropriated and became collective farms and many successful business families left Portugal for Brazil. The Portuguese colonies immediately became independent and both Angola and Mozambique would enter a period of civil war. Thousands of Portuguese citizens working in the colonies returned to Portugal. In short, Portugal underwent an economic crisis starting in 1974-75.

For the Pestana family the consequences were dramatic. Overnight the apartment building in Maputo was nationalised and used to accommodate government employees. In Madeira, the new 5 star hotel that was only 2 years into its life entered a period of extreme difficulty. Trade unions became all powerful and interest rates on loans rose to a prohibitive 28% making repayment of the loan on the hotel almost impossible to pay. At the same time confidence in Portugal's economy declined and tourism numbers fell sharply.

Understandably Manuel Pestana became very disillusioned with the situation in Portugal and would continue to live in Johannesburg and focus on his business interests there. In 1976 just a short period after the revolution, Dionísio and I completed our university studies. Dionísio was interested in gaining an understanding of the viability of the hotel in Madeira and accepted the challenge from his father to spend time in Madeira with a view to working in the hotel. He felt he needed to understand the difficulties being faced and what would be needed to avoid the banks calling in their loans.



Dionísio had the advantage of not being in Portugal during the revolution and witnessing first hand the economic consequences and turbulence post 1974. Instead he saw the beauty of Madeira and its potential as a tourist destination. He also set about restructuring the debt and looking for ways to increase liquidity for the business.

After university, I worked in marketing for Unilever in Durban but Dionísio and I stayed in contact. He made me a proposal to join

him in Madeira and so in 1983 I left South Africa to live and work with the Pestana family in Madeira.



In South Africa, the Southern Sun Hotel group had started converting a few beachfront hotels into timeshare accommodation. It was a relatively new concept at the time with only two projects of this nature in Europe, one in the Canary Islands and the other in the Algarve. Both resorts were managed by Americans but neither had any hotel component. As part of our research we visited both resorts to gain an understanding of how the business worked.

Fate would play its hand. One night in 1984 after bad weather and strong rains, a rock fall occurred on the cliff on the site of the Sheraton Hotel. This rock fall meant the cliff would need to be reinforced at substantial cost. In order to justify this expense, Dionísio came up with the idea of building units into the cliff face of the hotel whilst at the same time anchoring and reinforcing the cliff. That gave rise to the possibility of designing these units to be sold in weekly intervals which if successful would certainly help towards paying back the loan on the hotel. In 1984 I researched the timeshare concept explaining to potential customers the possibility of owning a week in a superior unit in a new resort called Madeira Beach Club. Members would be able to have access to all hotel facilities and benefit from the professional management provided by the hotel.

Members would also be able to exchange their week into other worldwide resorts through the exchange company RCI. We were prepared to make a long-term commitment of 30 years to ensure our customers had peace of mind in the concept being sold. The feedback was very positive and in October 1985 we launched sales with a small team of one manager and eight sales staff.



Helder Valente the current Managing Director of Pestana Vacation Club had worked in the early 1980s for the Pestana family in Johannesburg. His parents were also immigrants who returned to Madeira from South Africa in 1978, with Helder returning in 1985 and joining our small team at the start of our journey. He has showed his loyalty to the Pestana family for more than 30 years.

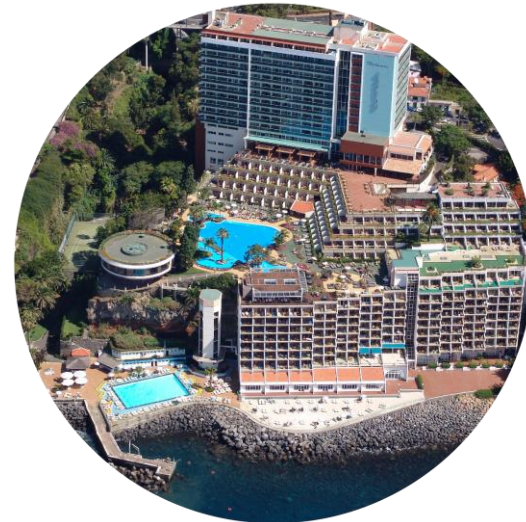
Another stalwart of the Vacation Club right from the outset is João Carlos Spinola. When I arrived in Madeira I could not speak a word of Portuguese and I latched on to Spinola who had joined Pestana as a young boy. He was my guide, interpreter and friend from my early days on Madeira when everything felt rather strange and different to what I was accustomed in South Africa. Over 30 years Spinola has been a champion at creating a strong service culture at our resorts but especially towards our members at Madeira Beach Club.

Madeira Beach Club opened its doors to the arrival of our first members in January 1987. Dionísio and I were both in the lobby of the

hotel to welcome the first arrivals and explain to them that we offering half board at the hotel as the kitchens in the apartments had not arrived in time for the opening!

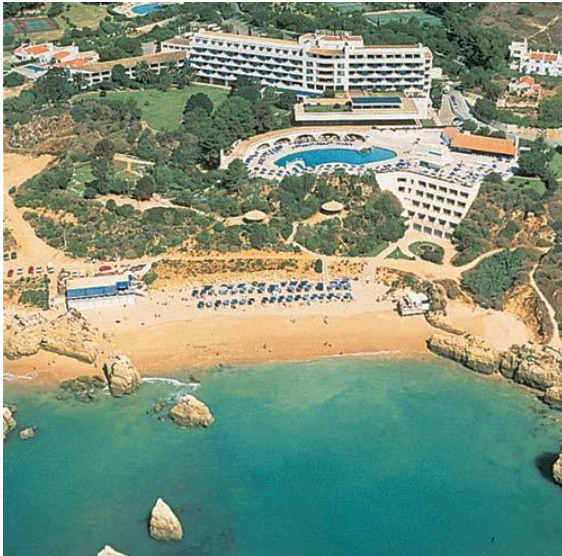


Pestana Vacation Club grew into a very successful business enterprise where on average we opened a new vacation club resort integrated into a 4 or 5 star hotel every four years.



Madeira Beach Club was followed by Palms, Village, Miramar, Grand and then the Promenade hotel and resort.

In 1994 Pestana Vacation Club expanded to the Algarve using the same strategy of integrating vacation club accommodation into a hotel property. Today the Algarve has 6 resorts as part of its vacation club portfolio.



Pestana Vacation Club has over 25.000 families who have bought into the concept over the last 35 years comprising 25 different nationalities. In 2010, a new concept known as OPTIONS was introduced to provide a more flexible and diverse way for members to holiday.

The largest nationality is British, followed by German, Portuguese, and the Nordic countries.



Madeira Beach Club is where it all started 30 years ago. It remains part of the 5 stars Madeira Carlton Hotel that is the flagship hotel of the group in Madeira. Having been sold on a 30 year right to use contract which expires at the end of 2016, Madeira Beach Club underwent a full refurbishment of 80 units during the first 6 months of 2017 in keeping with the intention to modernize and

upgrade the accommodation to meet the expectation of our guests. The second phase of refurbishment will be completed by June 2019.

The hotel division has grown exponentially from the first hotel project of the Sheraton Hotel, now called Madeira Carlton, to encompass a portfolio of 96 hotels and pousadas owned and managed by the Pestana Group on four continents and in fifteen countries.



A total of 20 new hotel openings are planned until the end of 2020 including New York, Paris, Madrid, Marrakesh, Lisbon, Porto, Algarve, and Madeira. The group has also diversified into golf resorts, real estate, a casino, brewing, and the International Business Centre on Madeira. There was also a happy ending with the property in Maputo when Dionísio negotiated with the Mozambican government for the building to be returned to the Pestana family in 1996, being granted a 60 years concession. The building was completely renovated and is now branded Pestana Rovuma and is one of the premier hotels in Maputo.

The group remains a family run business with Dionísio Pestana as owner and chairman. His father Manuel passed away in Madeira at the age of 87. Even towards the end of his life, he was still actively involved in the business and most days attended meetings with his son Dionísio. It is a very proud and interesting history of a family that started from such humble beginnings and today still maintains those solid values of respect, integrity, and hard work that come from facing hardship and adversity.