

Bezannes, Tuesday 23 July 2024 – 8.30pm



FREY acquires ROS, 4th-largest European outlet operator, and develops its 1st project in Malmö (Sweden)

FREY is already among Europe's leading developers, owners and managers of large-scale retail parks and open-air shopping centres and is now stepping up its growth even further with these two strategic operations.

It is building on its position as Europe's leading player in open-air shopping destinations and now has 31 sites in operation in its portfolio spanning 9 European countries and valued at over 3 billion Euros.

Antoine Frey, Chairman and Chief Executive Officer of FREY, made the following statement:

"We are delighted to announce a major strategic operation for FREY. The signature of the binding acquisition agreement of ROS, Europe's 4th-largest outlet operator, will not only give us access to a very high-performing asset class but also offer us vastly diversified geographic exposure. ROS is a fabulous company led by some of the outlet market's most talented individuals and has successfully risen to the very top of the league in Europe. FREY's strategy will focus on stepping up ROS' position in third-party management but also on tapping into its experience and reputation in order to build up a portfolio that is dedicated specifically to outlets by acquiring or developing assets. The first example of this strategy is the recently launched operation to develop the Malmö Designer Village. FREY now boasts over 31 open-air shopping destinations in operation across 9 European countries and is thus consolidating its leading position in the retail asset classes that are most sought after by consumers, chains, brands and investors alike".

Gerhard Graf and Thomas Reichenauer, Managing Directors at ROS, also commented on the deal:

"FREY is the perfect investor for ROS Retail Outlet Shopping for further growth in the European outlet market and the development of new, unique and innovative open-air shopping destinations. We share the same vision of creating sustainable, socially responsible and attractive shopping destinations that meet the current needs of customers and those of the next generations. We see many synergies and new opportunities to reinvent outlet shopping with FREY's financial strength and experience. In this context, we congratulate FREY on the purchase of Malmö Designer Village, which is a perfect outlet location. We look forward to a successful journey together to learn from each other, inspire each other and create something new."

OUTLETS: A FLOURISHING OPEN-AIR RETAIL FORMAT

Both of these operations centre around outlets, an open-air shopping centre format that FREY did not previously hold in its portfolio. These open-air shopping centres are also known as designer outlets and appeal to consumers and retail chains for various reasons. Where consumers are concerned, outlets provide excellent value for money and an upscale experience and enhance the notion of shopping for pleasure. And their catchment areas spread well beyond those of traditional shopping centres. Meanwhile, these locations give brand partners an opportunity to expand their client base and build on their brand positioning. From a financial perspective, this format delivers high sales per sqm and low OCRs (Occupancy Cost Ratios) for brand partners, while also generating fatter margins than traditional shopping formats as previous year collections and overstocks can be cleared out while operating expenses are lower than on the high street.

A recent study conducted by specialist consultancy Ken Gunn Consulting suggests that Europe's outlets should enjoy average annual sales growth of +9% over the period 2023-2026.

ROS - Retail Outlet Shopping: 4th-LARGEST EUROPEAN OUTLET OPERATOR

Europe's outlet market is still in its infancy and relatively fragmented. In many ways it resembles the retail parks market, but it requires specific marketing and leasing expertise. This is the backdrop against which FREY is acquiring ROS, a major European real estate operator specialising in outlets.

ROS is an Austrian company founded in 2011 by Thomas Reichenauer and Gerhard Graf; it operates across 8 European countries and manages 12 outlet shopping destinations on behalf of third parties covering a total surface area of 215,000 sqm and hosting 25 million visitors each year. It also has a number of ongoing projects, including outlet extensions as well as upcoming new developments. ROS is very much a services platform, offering an extensive range of expertise that covers the full spectrum of outlet development and outlet management activities including finance sourcing and arrangement, works project management, asset and property management, centre management, leasing and marketing. The Group's 110-strong staff is currently divided between the head office in Vienna (Austria) and the 12 outlets located in Spain, Portugal, Germany, Belgium, Poland, Hungary and Croatia.

The amount involved in the acquisition remains confidential, but the deal covers 100% of ROS' share capital and will have an accretive impact on earnings per share as of 2024. This strategic deal fulfils three complementary objectives for FREY by offering it a significant foothold in the outlet market, a more extensive third-party management activity and a prime position from which to seize growth opportunities across a larger number of European markets. ROS is to be operationally folded into FREY's platform in a process that will be completed in the second half of 2024, and its founders will remain closely involved in running the company to ensure it prospers.



Designer Outlet Croatia, Managed by ROS Retail Outlet Shopping

VAST SCOPE FOR SYNERGIES...

FREY and ROS share the same views on developing an approach to retailing that is responsible and engaged; such an approach can enhance both the client's experience and the retailer's performance.

This shared DNA will generate sizeable industrial and commercial synergies:

- New greenfield and brownfield projects can be developed by combining FREY's expertise in development and financing arrangement with the close partnerships that ROS maintains with all the brand partners in its outlets;

- ROS' marketing clout will improve FREY's ability to tap into the very essence of the catchment areas surrounding its assets;
- Last of all, the two groups' tenant portfolios are highly complementary, which means that they will be able to enrich and enhance the merchandising mix offered by the assets they own and manage.



Designer Outlet Soltau, Germany, Managed by ROS Retail Outlet Shopping

...AND GROWTH

As an asset class, designer outlets remain something of a niche as there are only 210 such assets in Europe and their ownership is still very fragmented.

The strategic objective is two-fold: to build up ROS' third-party management activity in a drive to expand its coverage across Europe, and to create a real estate investment platform that is geared specifically to outlets. This platform will be populated with acquisitions of existing assets, greenfield developments as well as projects to transform existing traditional retail assets into outlets.

ROS' expertise will enable it to source such opportunities, assess their suitability and work alongside FREY to develop these projects. All assets acquired or developed in this manner will subsequently be managed by ROS.

A EUROPE-WIDE, MISSION-DRIVEN COMPANY

FREY was the real estate industry's first firm to obtain B Corp certification and become a mission-driven company. FREY's decision to restore retail as a service for the common good began to take shape back in 2021 in the form of a large-scale effort to transform the way it operates, the aim being to factor its mission into each and every one of its choices. ROS' entire staff fully adheres to these values. FREY is therefore going to take the very same processes that have inspired its mission for 3 years now and apply them across ROS' entire business chain; its continuous improvement approach geared towards positive impact will thus be able to take on a European dimension.

GROUP KEY FIGURES POST-ACQUISITION

31 shopping destinations

9 countries

Over €3bn of assets in operation, of which the share owned by FREY amounts to €2.1bn

1.1m sqm in operation

105m visitors per year

210 staff members

MALMÖ DESIGNER VILLAGE: THE DEDICATED PLATFORM'S 1st ASSET

FREY is already drawing on its new expertise and has announced that it is acquiring its first outlet project in Malmö, Sweden. The Malmö Designer Village is currently under development and is located at the very heart of Scandinavia's largest catchment area (with a population of 4m and attracting 26m tourists each year from within a 90-minute radius) which includes the cities of Malmö, Helsingborg and Copenhagen.

With all the necessary authorisations free of any objections having been obtained and the pre-letting process already well underway, work is scheduled to begin by the end of 2024. A first phase covering a surface area of 18,000 sqm will open in the second half of 2026, while a second phase spanning 8,000 sqm is set to follow on from the first. The project will eventually become the Nordic market's biggest outlet, hosting over 135 national and international brands including Adidas, Levis, Marc O'Polo and Skechers.

The Malmö Designer Village project will receive BREEAM Excellent certification, in keeping with FREY's exacting ESG policy.

Some €100 million is to be invested under phase 1 and the target yield on cost is above 8%. So the operation will be earnings- and NAV-accretive, while phase 2 will add to the pipeline of controlled development operations.



Malmö Designer Village, Owner Frey, New development, Opening 2026

FREY's first investment in the outlet asset class also marks the creation of a dedicated platform, the aim of which is to build up a portfolio of Europe's finest outlet assets. The platform will be populated with acquisitions of existing assets but also with brownfield or greenfield developments, as is the case for Malmö.

2024 financial agenda

- 25 July 2024: 2024 interim earnings report (after trading)

About FREY

Developer, investor and manager, FREY is a real estate company specialising in the development and operation of open-air shopping centres in Europe. A pioneer in environmentally-friendly retail parks with its Greencenter[®] concept and inventor of next generation open-air shopping centres Shopping Promenade[®], "Société à Mission", B Corp[™] certified FREY is fully engaged in a more responsible, greener society that is socially beneficial to its ecosystem and its stakeholders. As the company knows just how essential retail is to urban diversity, social link, local economic resilience and environmental transition, its mission is restoring retail as a service for the common good. FREY also conducts major urban renewal operations and mixed-purpose projects.

FREY is listed on compartment B of Euronext Paris. ISIN: FR0010588079 - Mnemo: FREY

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