MERCIALYS

PRESS RELEASE

Paris, October 17, 2023

Activity at end-September 2023

Robust performance in a still challenging economic context

Organic growth of +4.0% over nine months

Mercialys confirms its objectives for 2023

Vincent Ravat, Mercialys' Chief Executive Officer: *"In an environment marked by high inflation and the difficulties experienced by certain retailers, particularly in the textiles sector, Mercialys achieved solid organic growth of +4.0%. Mercialys' sites are absorbing this disruption through a retail mix that is continuously adjusted and centered around consumers' essential needs, with the resilience of its assets reflected in the +3.4% increase in retailer sales at end-September 2023. The two capital operations carried out in the third quarter, with the interest acquired in DEPUR Expériences and the acquisition of Imocom Partners in two stages, illustrate the Company's commitment to growing and strengthening its real estate expertise, while respecting the solidity of its balance sheet and the recurrence of its cash flow. Lastly, Mercialys is able to confirm its full-year targets for 2023, with recurrent earnings per share growth of at least +2% and a dividend to range from 85% to 95% of 2023 recurrent earnings".*

I. Organic growth in invoiced rents of +4.0%

At end-September, **invoiced rents** totaled Euro 132.2 million, with an **organic growth** rate of +4.0%, while growth on a current basis came to +2.4% factoring in the assets sold in 2022.

(In thousands of euros)	Year to end-September 2022	Year to end-September 2023	Change Current basis (%)	Change Like-for-like basis (%)
Invoiced rents	129,030	132,183	+2.4%	**+4.0%**
Lease rights	532	395	-25.7%	
Rental revenues	**129,562**	**132,578**	**+2.3%**	

The change in invoiced rents reflects the following factors:

	Year to end-September 2022		Year to end-September 2023	
Indexation	+1.9 pp	+€2.4m	+3.8 pp	+€4.9m
Contribution by Casual Leasing	+1.1 pp	+€1.4m	-0.2 pp	-€0.3m
Contribution by variable rents	-0.1 pp	-€0.1m	+1.3 pp	+€1.7m
Actions carried out on the portfolio	+0.5 pp	+€0.6m	-1.2 pp	-€1.6m
Accounting impact of "Covid-19 rent relief" granted to retailers	+0.9 pp	+€1.1m	+0.3 pp	+€0.4m
Growth *(like-for-like)*	**+4.3 pp**	**+€5.5m**	**+4.0 pp**	**+€5.2m**
Asset acquisition and sales	-2.4 pp	-€3.0m	-1.5 pp	-€1.9m
Other effects	-0.3 pp	-€0.3m	-0.1 pp	-€0.1m
Growth *(current basis)*	**+1.7 pp**	**+€2.2m**	**+2.4 pp**	**+€3.2m**

Invoiced rents are continuing to benefit from positive **indexation**, which came to **+3.8%** over nine months, taking into account the increase in the commercial rent index (ILC) during 2022, which is the reference period.
The impact of indexation came to +5.0% in relation to the Company's basis for indexable rents, highlighting Mercialys' ability to apply the conditions from the leases, with a constant focus on maintaining sustainable occupancy cost ratios for retailers.

Casual Leasing made a negative contribution to growth of -0.2 pp, representing Euro -0.3 million. This change reflects both a high basis for comparison in the third quarter of 2022 and the impact of the decrease in hypermarket footfall levels for certain types of Casual Leasing activities.

The **contribution by variable rents** is up Euro +1.7 million, contributing +1.3 points to organic growth over the period, which reflects the good level of business for tenants.

The **actions carried out on the portfolio** had a **Euro -1.6 million** impact on organic growth (-1.2 pp), linked in particular to the current financial vacancy rate. However, this rate is still effectively under control, with 3.4% at end-September.

Mercialys maintained a robust level of rental activity for both renewals and relettings, covering 88 leases at end-September 2023, including 23 in the third quarter. These leases were signed with a stable level of reversion, which is relevant considering the combination with sustained indexation.

Mercialys' strategy to further strengthen an affordable and essential retail mix for visitors was illustrated for instance by the leases signed during the third quarter with Krys in Toulouse, Free in Morlaix and The Barber Company in Brest, as well as Adopt (cosmetics/health/beauty) in the Nîmes and Annemasse centers and the Saint-Pierre shopping center on Reunion Island.
The leases signed with Adopt in Fréjus, replacing MOA, a textiles retailer that has been placed in compulsory liquidation, or Intimissimi (lingerie) in Angers and MediaClinic (multimedia repairs) in Toulouse, replacing San Marina, which is subject to liquidation proceedings, illustrate Mercialys' ability to relet its units following defaults by retailers and to continuously pivot its retail mix, particularly with a view to reducing the weighting of the textiles sector, which is structurally decelerating.
Similarly, the reletting of a H&M unit by Cultura, a Calliope unit by Darty and a Crédit Agricole unit by Rituals at the Angers site during the last few months also illustrates Mercialys' ability to attract exclusive and modern retailers, while expanding the selection offered to consumers, helping further strengthen the letting potential of Mercialys' sites.

Alongside this, the **collection rate** to date for the year to end-September 2023 is 94.4%. To date, the Casino group is paying its rents in accordance with its contractual commitments.

The **scope effects** had a Euro -1.9 million impact on rental income at September 30, 2023, mainly linked to the sales completed in April 2022 (Géant Casino hypermarkets in Annecy Seynod and Saint-Etienne Monthieu) and December 2022 (Marseille Sainte-Anne and Marseille Croix-Rouge centers).

After factoring in the deferrals applicable under IFRS, lease rights and despecialization indemnities received over the period represent Euro 0.4 million, compared with just over Euro 0.5 million at September 30, 2022.

In view of these elements, rental revenues came to Euro 132.6 million at September 30, up +2.3% from September 30, 2022.

II. Retailer sales up 3.4% at end-September and reduction in the weighting of Casino group retailers

The easing of inflation that was well underway during the second quarter slowed down in the third quarter, linked in particular to a further increase in oil prices and a 10% rise in regulated electricity sales prices, effective from August 1, 2023. This further pressure on household purchasing power is leading them to be very selective with their spending.

Footfall in Mercialys' shopping centers (excluding hypermarkets) is up +2.0% at end-September 2023, compared with +2.8% for the Quantaflow national index. The performance differential, linked primarily to a stronger upturn, within the national panel, for large shopping centers, which had been affected by the requirement for vaccine passes in restaurants through to the end of the first quarter of 2022, is down to 80bp versus 140bp at end-June 2023 following the very good performance by Mercialys' sites in the third quarter.

Shopping center footfall levels were therefore not negatively affected by the deceleration of the hypermarkets managed by the Casino group, which is currently being restructured, while footfall for the hypermarkets is down - 9.4% compared with end-September 2022 for the scope of Mercialys' sites.

This positive trend and this decorrelation between footfall in hypermarkets and the performance of the adjoining shopping centers are reflected in the sales recorded by Mercialys' tenant retailers, with +3.4% growth at September 30, 2023. At end-August 2023, retailer sales growth came to +3.7%, while the national panel (FACT) increased by +4.5%

Despite the underperformance by the Casino Hyper Frais banner, previously Géant, the Company confirms its strategic conviction to maintain significant food retail exposure within its rental revenues, while regularly scaling back its exposure to this legacy operator. This ambition is being built over time by divesting the premises of stores operated by Casino in particular.

Illustrating this, the sale of Casino group units to the Mousquetaires group (operating under the Intermarché banner) will pave the way for the transfer of the two hypermarkets owned by Mercialys in Le Puy (51% stake, with the remaining interest held by BNP Real Estate) and Besançon (25% stake, with the remaining interest held by Amundi).
Mercialys' consolidated "pro-forma" exposure to the Casino group would be reduced from 21.4% to 20.6% of its rental revenues, while its "pro-forma" economic exposure would drop from 18.3% to 17.5%.

III. Two capital operations expanding Mercialys' expertise

Mercialys announced two capital operations during the third quarter. These operations are enabling Mercialys to further strengthen its range of expertise and are aligned with the same objective of profitable growth over both the short and the medium term.

On the one hand, the interest acquired in the DEPUR group, which is specialized in the design and execution of major Food & Beverage & Entertainment (F&B&E) projects, announced on July 20, aims to give DEPUR the resources needed to establish itself as the first specialist F&B&E sector operator. This operation will enable Mercialys to further strengthen its expertise concerning consumer trends with a view to maintaining the relevance of its product mix and supporting the value of its portfolio.

On the other hand, the acquisition in two stages (30% of the capital in 2023, with the remaining 70% acquired by Mercialys in 2025) of the investment management company Imocom Partners, announced on September 12. This company manages the OPPCI fund ImocomPark, which holds a portfolio of 33 retail parks in France generating Euro 40 million of annual rental income and representing a value of Euro 670 million including transfer taxes.
In addition to the revenues generated by the investment management company's activity, this investment will increase Mercialys' capacity to carry out retail or mixed real estate development projects in a context of the greater importance of ensuring effective control over artificial ground cover. It will also enable the Company to increase its visibility with tenant retailers and make its lettings, asset management, marketing and CSR expertise available to support the funds managed. The creation of new retail property funds, which Mercialys will be able to invest in alongside institutional investors, represents a major potential source of value creation over the medium term.

IV. Full-year objectives confirmed

The figures reported at end-September enable Mercialys to confirm its objectives for 2023, with:

- Growth in recurrent earnings per share to reach at least +2.0% for 2023 vs. 2022;
- A dividend per share to range from 85% to 95% of 2023 recurrent earnings.

MERCIALYS RENTAL REVENUES

2022	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022	Dec 31, 2022	Q1	Q2	Q3	Q4
Invoiced rents	43,429	86,087	129,030	172,602	43,429	42,658	42,943	43,572
Lease rights	181	364	532	674	181	182	168	142
Rental revenues	**43,610**	**86,450**	**129,562**	**173,277**	**43,610**	**42,840**	**43,111**	**43,714**
Change in invoiced rents	+3.5%	+3.2%	+1.7%	+1.3%	+3.5%	+2.9%	-1.2%	+0.2%
Change in rental revenues	+2.4%	+2.1%	+0.8%	+0.6%	+2.4%	+1.8%	-1.8%	+0.1%

2023	Mar 31, 2023	Jun 30, 2023	Sep 30, 2023	Dec 31, 2023	Q1	Q2	Q3	Q4
Invoiced rents	43,501	87,910	132,183		43,501	44,408	44,273	
Lease rights	132	254	395		132	122	141	
Rental revenues	**43,633**	**88,164**	**132,578**		**43,633**	**44,531**	**44,414**	
Change in invoiced rents	+0.2%	+2.1%	+2.4%		+0.2%	+4.1%	+3.1%	
Change in rental revenues	+0.1%	+2.0%	+2.3%		+0.1%	+3.9%	+3.0%	

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This press release is available on www.mercialys.com.

Analyst and investor contact

Olivier Pouteau

Tel: +33 (0)6 30 13 27 31

Email: opouteau@mercialys.com

About Mercialys

Mercialys is one of France's leading real estate companies. It is specialized in the holding, management and transformation of retail spaces, anticipating consumer trends, on its own behalf and for third parties. At June 30, 2023, Mercialys had a real estate portfolio valued at Euro 3.0 billion (including transfer taxes). Its portfolio of 2,054 leases represents an annualized rental base of Euro 172.8 million. Mercialys has been listed on the stock market since October 12, 2005 (ticker: MERY) and has "SIIC" real estate investment trust (REIT) tax status. Part of the SBF 120 and Euronext Paris Compartment B, it had 93,886,501 shares outstanding at June 30, 2023.

IMPORTANT INFORMATION

This press release contains certain forward-looking statements regarding future events, trends, projects or targets. These forward-looking statements are subject to identified and unidentified risks and uncertainties that could cause actual results to differ materially from the results anticipated in the forward-looking statements. Please refer to Mercialys' Universal Registration Document available at www.mercialys.com for the year ended December 31, 2022 for more details regarding certain factors, risks and uncertainties that could affect Mercialys' business. Mercialys makes no undertaking in any form to publish updates or adjustments to these forward-looking statements, nor to report new information, new future events or any other circumstances that might cause these statements to be revised.