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Covivio and AccorInvest enter into exclusive negotiations with a view to consolidating their hotel properties and business assets

Covivio, a diversified European real estate operator, today announces that it has entered into exclusive negotiations with AccorInvest to consolidate their jointly held hotel properties and business assets.

An attractive exchange

Through its subsidiary Covivio Hotels¹, Covivio owns 54 hotels that are let to AccorInvest under long-term variable rent leases based on revenues. AccorInvest owns the business assets for these hotels and has signed long-term management contracts with the Accor Group.

The consolidation operation would take the form of an exchange of business assets, currently held by AccorInvest, for hotel premises owned by Covivio Hotels. Following this transaction, Covivio Hotels would own 24 hotel operating properties and AccorInvest would own 10. The agreed value of the properties transferred to AccorInvest represents around €210 million², while that of the business assets acquired by Covivio Hotels is around €260 million³. Based on 2022 figures, the assets transferred to AccorInvest represent annual rental income of €9 million, while the business assets acquired by Covivio generate EBITDA of €25 million.

A further step taken for joint-venture hotel real estate

Covivio Hotels is also joint shareholder and asset manager for a further 60 hotels let to AccorInvest and held via two joint ventures, established in 2010 and 2014 respectively: one is 80% held by Crédit Agricole Assurances and 20% by Covivio Hotels, while the other is held by la Caisse des Dépôts, Société Générale Assurances and Covivio Hotels. An exclusive agreement has also been signed with a view to consolidating the property and business assets of 25 of these hotels: 19 hotels for the joint ventures and six for AccorInvest.

These consolidation transactions for Covivio Hotels and the joint ventures represent a total of €390 million³ in hotel properties transferred, identical to the value of the business assets acquired, thus making the transaction cash neutral. Upon completion, Covivio Hotels and its partners will have consolidated ownership of 43 hotels and AccorInvest 16 hotels.

¹ 43.9% held and controlled by Covivio. Figures in this press release are presented on Covivio Hotels' group share basis.

² Excluding transfer taxes

³ Including transfer taxes

Hotels: a dynamic and resilient sector

This deal will take place in a context where the European hotel market has once again shown its ability to overcome crises, ensure long-term performance and adapt to new expectations.

Created in 2005, Covivio Hotels has constantly expanded its portfolio in terms of segments, operators and management methods. As such, the Group has developed expertise in operating property management (currently 23% of the portfolio) over a ten-year period through structuring acquisitions in several countries, including Germany, France and Belgium.

Through this transaction, Covivio Hotels intends to increase its capacity to directly influence portfolio performance by repositioning some hotels it has held for almost 20 years in order to leverage their considerable growth potential.

An operation intended to launch a new growth cycle for Covivio Hotels

The deal would therefore enable Covivio Hotels and its partners to acquire business assets in major tourist areas with considerable potential for value creation through repositioning and management optimisation. Some of these hotels would remain under the Accor brand (under management or franchise agreements), while others may be rebranded.

This accretive strategic move would mark a new step in Covivio's development in the hotel sector towards a more diversified model (leased assets, operating properties).

On a pro forma basis following this transaction, Covivio Hotels' revenue structure would comprise 54% fixed revenues and 46% variable revenues (mainly EBITDA from operating properties, whereas the proportion of variable rents would drop to 7% from the current 20%).

The operation will shortly be submitted to the Covivio and AccorInvest Social and Economic Committees for the information and consultation process and is also subject to certain conditions precedent and the completion of the customary due diligence procedure. It is set to be completed during the second half of 2024.

*"This project to consolidate the business and property assets of high-potential hotels is a unique opportunity to accelerate the value-creating asset management of our hotel portfolio. By leveraging our real estate and hotel expertise, we aim to reposition some of these hotels to meet changing customer expectations and increase their profitability", comments **Tugdual Millet, CEO Hotels, Covivio.***

COVIVIO

PRESS RELEASE

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ABOUT COVIVIO

Thanks to its partnering history, its real estate expertise and its European culture, Covivio is inventing today's user experience and designing tomorrow's city. A preferred real estate player at the European level, Covivio is close to its end users, capturing their aspirations, combining work, travel, living, and co-inventing vibrant spaces.

A benchmark in the European real estate market with €24,8 bn in assets, Covivio offers support to companies, hotel brands and territories in their pursuit for attractiveness, transformation and responsible performance.

Build sustainable relationships and well-being, is the Covivio's Purpose who expresses its role as a responsible real estate operator to all its stakeholders: customers, shareholders and financial partners, internal teams, local authorities but also to future generations and the planet. Furthermore, its living, dynamic approach opens up exciting project and career prospects for its teams.

Covivio's shares are listed in the Euronext Paris A compartment (FR0000064578 - COV), are admitted to trading on the SRD, and are included in the composition of the MSCI, SBF 120, Euronext IEIF "SIIC France" and CAC Mid100 indices, in the "EPRA" and "GPR 250" benchmark European real estate indices, and in the ESG FTSE4 Good, CAC SBT 1.5°C, DJSI World & Europe, Euronext Vigeo (World 120, Eurozone 120, Europe 120 and France 20), Euronext® CDP Environment France EW, ISS ESG, Ethibel and Gaïa ethical indices and also holds the following awards and ratings: CDP (B), GRESB (90/100, 5-Star, 100% public disclosure), Vigeo-Eiris (A1+), ISS-ESG (B-) and MSCI (AAA).

Notations solicited :

Financial part: BBB+ / Stable outlook by Standard and Poor's
Extra-financial part: A1+ by V.E (part of Moody's ESG Solutions) / 85/100 by S&P