

BUSINESS

LVMH Doubles Down on Selective Retail, Adds Value Retail to Portfolio Via L Catterton Vehicle

L Catterton believes Value Retail is well positioned for growth and continued success, whereas seller Hammerson sees it as an “overweight, low-yielding” investment.

BY TIANWEI ZHANG

LONDON — Hammerson, the British real estate developer and owner of major shopping malls across Europe, on Monday said it has agreed to sell its 42 percent stake in Value Retail, the parent company of The Bicester Collection, to Silver Bidco Ltd., an investment vehicle controlled by L Catterton, the private equity fund backed by LVMH Moët Hennessy Louis Vuitton.

The deal gives the business an enterprise value of 1.5 billion pounds, or \$1.94 billion, and generates cash proceeds of 600 million pounds, or \$775 million.

Hammerson said the deal will ensure a clean exit from an “overweight, low yielding” structure at an attractive price. Its stake in Value Retail generated a five-year average cash yield of 2 percent. In comparison, the exit plan represents a yield of 3.4 percent, a 24 percent drop in gross asset value, and crystallizing a 10-year internal rate of return of 13 percent.

The developer said it intends to use the proceeds to reduce net debt and reinvest in assets in core markets at higher yields and stronger returns. It also plans to use the sums to buy back up to 140 million pounds worth of its shares, representing 10 percent of Hammerson’s current market capitalization.

The exit from Value Retail, seen as in the best interests of shareholders by the board of Hammerson, signals Hammerson’s latest effort to focus on prime urban shopping destinations, where local consumers contribute



Value Retail’s Bicester Village.

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a higher-yielding revenue stream. In contrast, some suburban outlets in the U.K. like Bicester Village have been unable to attract as many international tourists as before due to the absence of VAT-free shopping in the U.K.

Calling it “a transformational deal,” Rita-Rose Gagné, chief executive officer at Hammerson, added: “I’m excited about the opportunity this gives us to build on our momentum and track record of the last three years. We are at a point in the cycle where I can now be on the front foot to capture the exceptional value-creation opportunities I see in the near, medium and long term. This is exactly what this transaction will deliver.”

That said, Hammerson does acknowledge that it will have greater concentration risks associated with the prop-

erty markets of the U.K., France and Ireland, where it owns Brent Cross in London, Bullring & Grand Central in Birmingham, Dundrum Town Centre in Dublin and Les Terrasses du Port in Marseille, among others.

Michael Chu, global co-CEO of L Catterton, said Value Retail is “well positioned for growth and continued success, with its high-quality portfolio, reputation for luxury and commitment to delivering a distinctive experience to customers.”

“We have deep experience investing in luxury retail, and we are eager to leverage our operational expertise and global network of established relationships to partner with Value Retail and propel the business forward,” Chu added.

L Catterton, which is backed by LVMH and Bernard Arnault’s family holding company Financière Agache, has been active in the fashion and beauty M&A market for almost a decade.

In the past year alone, it has acquired a majority stake in Kiko Milano and Naomi Watts’ menopause-care brand Stripes Beauty and put funds in to support Swedish sustainable professional hair care brand Maria Nil’s growth and international expansion.

It has also inked a deal to help delist Tod’s Group from the Milan Stock Exchange in May by acquiring 36 percent, amounting to almost 13 million shares, of Tod’s SpA

for a consideration of 43 euros per share. Fashion labels such as APC, Etro, Ganni, Giuseppe Zanotti, Everlane and Pepe Jeans are under L Catterton’s portfolio as well.

Value Retail is the owner of The Bicester Collection. It has nine off-price luxury shopping villages across Europe and two in China. Its first retail project in the U.S., Belmont Park Village, is opening this September in New York. It has always eschewed e-commerce and instead focused on customer service, experiences and a high-end hospitality offer — including restaurants, cafés and pop-ups — to drive sales.

In 2023, Value Retail saw total brand sales in Europe and China climb 16 percent, and footfall jump 13.4 percent. Tourists and domestic customers alike drove that growth, according to the company, which has been benefiting from a post-lockdown bounce back in physical shopping.

The L Catterton takeover means Value Retail could form a closer tie with LVMH’s houses, many of which already are longtime partners with Value Retail. There could also be synergy between Value Retail and LVMH’s selective retail arm, which includes Sephora, 24S, DFS, La Grande Épicerie de Paris and Le Bon Marché Rive Gauche, helping the luxury conglomerate to better extend its luxury shopping experience in the off-price channel.