



Good riddance to Rita-Rose Gagné

IT WAS only 10 weeks ago that Rita-Rose Gagné, CEO of giant retail property play Hammerson (owner of Dundrum Town Centre), announced her intention to stand down by next summer in order to give Bob Noel's board time to find a replacement. The timing looks odd as, within two months of the announcement, Hammerson pulled off a big £138m placing at 287p a share – a 25% discount on the June 2025 net asset value (NAV) of £3.81. Whatever about the timing, it is clear that the battered shareholders will not miss Gagné one little bit.

The cash raised last month was to fund the purchase of the outstanding 50% interest not owned by Hammerson in the big Bullring shopping centre in Birmingham city centre, which last year boasted a customer footfall of a phenomenal 33 million, compared with Dundrum's 25 million.

That deal comes alongside the acquisition of the outstanding 50% of the adjoining Grand Central shopping centre, which cost a total of £319m. It also comes on top of the £186m buy-in of the outstanding 50% of the big Brent Cross centre outside London, as well as the similar £135m acquisition of Westquay in Southampton last November.

These deals represent quite a change in Gagné's recent trajectory as, prior to the buy-ins, the CEO had been busy selling assets left and not busy wisely. It therefore seems an odd time to announce her exit when she is right in the middle of this more aggressive strategy.

To get a sense of the scale of the three recent transactions, it is worth noting that Dundrum Town Centre is the largest of all the Hammerson centres, with a 128,800 sq m net lettable area. Birmingham's Bullring centre is quite close with 122,400 sq m, while the Cabot Circus centre in Bristol comes in third at 106,000 sq m.

Next up is Brent Cross (105,500 sq m) and Westquay (94,400 sq m), while Hammerson's two French centres at Cergy (northwest Paris) and Marseilles come in at 70,800 sq m and 62,800 sq m respectively.

While Dundrum is the largest

of the centres, with a 2024 rent roll of £27.4m (£31.5m), it is not the highest yielding operation. This turns out to be Brent Cross which, presumably thanks to its proximity to London, delivers a higher yield at £30.8m. The much smaller Marseille centre brings in a seriously impressive £30.6m,



over 20% ahead of the much bigger Bullring (£25.4m).

In judging Gagné's five-year reign in Hammerson it should be noted that, when she was appointed in November 2020, the pandemic was in full swing and this had a huge impact on the retail sector. Essentially, only supermarkets and pharmacies were allowed to stay open and, with both going gangbusters, the good news was that Hammerson had significant tenants in these categories (such as the big Tesco outlet in Dundrum).

Gagné trained as a lawyer, which is probably not the best route to managing property development and understanding retailing. While she can boast property group experience overseeing strategy in Asia and Latin America, this has little to do with Hammerson's bread and butter of managing Irish and UK shopping centres.



Rita-Rose Gagné

Given the substantial collection of shopping centres accumulated in the decade prior to the pandemic by Gagné's predecessor as CEO, David Atkin, and chairman David Taylor, the boys recognised that the group was in some peril, carrying £3bn of borrowings prior to the new CEO's arrival in November 2020.

They had already done some of the really heavy lifting to stabilise Hammerson by selling off assorted assets such as the one million sq m Silverburn Shopping Centre in Glasgow in January 2020

for £114m and the VIA Outlets European-focused business in August 2020 for £274m. There was also a huge £552m rights issue at £0.15p a share (representing a 95% discount).

The result was that Hammerson was left with manageable borrowings of €2.2bn at the end of 2020 when Gagné arrived. Her strategy appeared to be to simply continue to drive down debt by selling key assets.

Hammerson benefited from the excellent job carried out in Dundrum, where manager Don Nugent successfully re-let two of the four floors vacated by House of Fraser to Brown Thomas and the other two floors to Penneys (Primark). Dunnes Stores was then brought in to occupy the old Penneys stores in the centre. (There were similar transformations in Hammerson centres in Britain caused by the liquidation of Debenhams and the shuttering of House of Fraser.)

Gagné described Hammerson's strategy as recognising "the unique position" that the group has "in urban locations and the opportunities to leverage our experience and capabilities to create appealing destinations, serving occupiers, customers and communities".

This appears to intimate that the group's plan was to grow its dominant retail centres in big cities in the UK, Ireland and France but, instead, the CEO flogged off the likes of the Silverburn centre in Glasgow (£70m), Victoria Leeds (£120m) and Union Square in Aberdeen (£111m).

BAFFLING STRATEGY

This shopping centre disposal strategy was simply baffling but even harder to understand was the decision a year ago to sell out the group's 50% interest in Value Retail, which holds stakes in 12 European retail outlet centres (including Kildare Village). Hammerson had a non-controlling 50% stake in this business and, in her review a year before the disposal, Gagné noted that the outlets had "delivered another solid operational performance".

Bizarrely, in December 2023 the Value Retail stake was given an updated net asset value on Hammerson's balance sheet of €1.1bn – which was a full €2bn more than

Continued on page 26

Reference the Market Abuse Regulations 2005, nothing published by Moneybags in this section is to be taken as a recommendation, either implicit or explicit, to buy or sell any of the shares mentioned.

Stocks & Shares

PTSB shares flying dangerously high

ALTHOUGH FORMER CEO Jeremy Masding spent a decade trying to turn PTSB into a viable bank, it was still in a dreadful state when he handed the keys to his deputy, Eamonn Crowley, in June 2020. The latter caught an early break courtesy of NatWest but failed to maximise the potential advantages on offer to PTSB. As a result, the bank's profitability has been significantly less than it could have been. Nevertheless, the market has pushed the shares to €2.30, at which they stand on an eye-watering price-earnings multiple approaching 30, three times that of the pillar banks.

Timing can often be fortuitous in business and no sooner was Crowley installed as CEO of PTSB than Alison Rose in NatWest, the parent of Ulster Bank, decided to pull out of Ireland. As the Irish government would not have allowed either of the pillar banks, AIB and Bank of Ireland (BoI), to gobble up all of NatWest's loan book, this left Crowley in prime position.

He was handed the opportunity to buy Ulster Bank's key €7bn non-tracker performing mortgage book for €362m below value, with the transaction smoothed by a €155m equity injection from the British bank.

This boosted PTSB's loan book by 58%, pushing it up from €12bn to €19bn, a sufficient boost to give the bank a very credible chance of survival. This was particularly lucky given that NatWest had previously had to inject €15bn into Ulster Bank to keep it afloat through the crash – representing a full one-third of the €45bn the UK government, in turn, had to pump into NatWest to keep it going.

Crowley's lack of ambition, however, manifested itself by his failure to take on Ulster Bank's huge €7bn performing tracker loan book, letting it fall instead into the hands of AIB. Gobbling up that book would have gone a long way to making PTSB a credible third force in Irish banking, with a performing loan book of €26bn.

As it turns out, despite taking on 25 Ulster Bank branches from NatWest as part of the deal with Rose in order to make PTSB more of a national bank, boasting 98 outlets nationwide, the latter is simply not big enough to make an impact – and this at a time when the competing pillar banks are making billions.

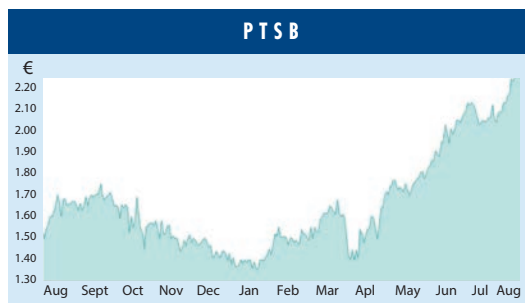
PTSB's most recent returns for the six months to June 2025 show underlying operating profits collapsing 38% to €51m and its return on capital equity dropping back to just 2.9%. This is miserable in its own right but remarkably underwhelming when compared to AIB's

admittedly remarkable 27.5%.

With the total loan book at the end of June 2025 standing at €21.8bn, PTSB's critical net interest margin fell 10% in the last six months to 2%, driven down by reducing ECB interest rates and PTSB's efforts to remain competitive in the mortgage market where it has to compete against the big pillar banks.

Simply put, PTSB cannot really afford to get into this battle given its incredibly high cost-income ratio of 76%, which should really be down at 50%.

Crowley's strategy is squeezing the bank on both sides, with net interest income falling to €288m in the first half of 2025, while operating expenses rose to €271m.



In these circumstances, it is easy to see why operating profits collapsed 38% to €51m for the six months.

PTSB does have the benefit of very low-cost retail deposit funding of €23.5bn, with €9.3bn of this held in current accounts that pay no interest and €13.3bn in retail deposit accounts that pay an average of 0.8%. This means that the average cost of this retail funding is 0.5%, which looks like a funding base that Crowley should be able to really take advantage of.

Unfortunately, there is also €2.2bn in very expensive wholesale funding that is costing 5.7%, something PTSB has been forced into by Gabriel Makhoul in the Central Bank of Ireland on foot of the latter's restrictive capital ratio requirements.

These require PTSB to borrow expensively in the wholesale market, while at the same time carrying surplus cash of €7.2bn.



Eamonn Crowley

This latter sum, however, returns very little, given that the ECB base interest rate is now down to 2%, with a rather significant slice of the income then gobbled up by the cost of the enforced wholesale funding.

With 98% of PTSB's €21.8bn loan book mainly invested in mortgage loans all paying monthly by direct debit, managing this loan book should not be a great challenge, with only €400m of it needing attention. In these circumstances, it is hard to see why PTSB boasts such high staff numbers, topping 3,000.

This is clearly the most significant impact on PTSB in terms of the bank's lack of profitability, which in turn compromises significant fundraising. Crowley says that

he is intent on cutting staff down by a further 150 in the second half of this year but, even at 2,850, it still looks like a very chunky payroll for a bank struggling to compete with the deep-pocketed AIB and BoI.

The current state of play highlights the impact of failing to add on Ulster Bank's €7bn performing tracker mortgage book. As interest rates increased, the book would have not just boosted PTSB's gross returns but the net income revenue generated here would have fallen down to the bottom line, as costs would not have increased. In other words, PTSB would have been dramatically more profitable.

Crowley's plan is to achieve 2.2% net interest margins by 2027, while the pillar banks are earning over 3%, and he plans to bring down his cost-income ratio only to 60% in 2027 when he should

Continued on page 26



"God I dread going back to it... the constant sense of entitlement ... the endless pouting...the incessant ME ME ME... and then on top of that there's the bloody students to contend with."

Stocks & Shares

Hammerson continued from page 24

the €600m cash recouped in the sale. The absence of a convincing explanation for this eyebrow-raising sale will have sucked out any confidence investors had that Gagné is the woman to take Hammerson forward.

Moreover, in his chairman's review for the 2024 annual report, the £300,000-a-year Bob Noel characterised this alarming sale as "a transformative event", while Gagné opted for "transformational" in her review. This means that, for the hapless shareholders, there is no one at the top to have confidence in.

The transformation effect of the deal was to knock Hammerson's net assets back from just on £2.5bn to £1.8bn, with the net asset per share dropping by 27% to £3.70 per share.

Despite this dreadful outcome, Gagné describes 2024 as "a successful year".

TOO LITTLE, TOO LATE

Now there has been a change of pace, with Hammerson buying the outstanding 50% stakes in the Bullring and Grand Central retail centres but this looks like too little, too late.

On top of this, shareholders were landed with an accompanying £138m share placing at 278p, representing a 25% discount to the NAV per share.

Gagné has had the option of raising funds another way, rather than selling off prize retail centre assets. There is the valuable five-acre site which contains the old Dundrum Shopping Centre and is the subject of an ambitious plan to build 880 apartments. This site should have been sold off in 2021 when big developers were hungry for large apartment block sites and good sites such as this were going

for €200,000 a plot. This site could have realised a possible €200m at the time.

Likewise, there are 16 undeveloped acres beside Swords Pavilions shopping centre that could very likely secure planning permission for 2,000 apartments, which makes it worth another €200m. And outside the Bullring in Birmingham, Hammerson has a big site that could accommodate 2,000 houses, worth another €400m.

In other words, without interfering with the group's core assets and without diluting shareholders, Gagné could have raised €800m from these sites.

Then there is the planning permission obtained to redevelop the five-acre plot between O'Connell Street and the Ilac Centre, incorporating the old Carlton cinema and Dublin City Council offices, which is both a business opportunity and cause for concern.

Given that it would cost the best part of €10,000 per sq m to develop this site, the total development cost would come to around €1bn, the sort of cash that Hammerson does not have. It would also take about 10 years to complete the D1 development, without any income being generated by it over this period.

Clearly, the O'Connell Street site should have been sold and could have realised at least €200m, which would have brought the amount that Gagné could have raised from site sales to around €1bn without any impact on Hammerson's profitability or valuable shopping centres portfolio.

It was clearly a poor decision by the CEO to offload three retail centres that formed a core element of the group's previously stated business strategy.

Indeed, in the scenario where the non-income generating land assets were disposed of, Hammerson, for example, could have

when Moneybags examined PTSB's performance and noted: "This is certainly not too demanding a rating given that, in the right hands, the bank has more potential for growth than the two large pillar banks" (see *The Phoenix* 1/11/24). The share price has risen over 40% since then.

Given that the two pillar banks are now standing on single-digit p/e multiples, PTSB's share price of €2.30 represents an extraordinary vote of confidence by the market in Eamonn Crowley and the Julie O'Neill-chaired board.

As the ECB base rate only gradually came down to 2% over the last 18 months, PTSB will suffer the full impact of this change in the second half of this year, which is going to make life rather more challenging for the CEO.

The one real hope Crowley



Robert Noel

bought in the Tallaght shopping centre when it was going for buttons last year (£150m). This is also true of the Blanchardstown centre, which saw its value knocked back from the €1bn it was sold at a decade ago to €550m. The opportunity costs associated with missing out on these centres are clearly significant.

The unfortunate long-term investors in Hammerson have taken quite the battering from the £5.50 the shares reached back in 2007 to even the €1.30 these stood at in 2019.

UNDERGEARED

When you consider too that the NAV per share in December 2021 was £6.20 – after £2bn in write-offs – it is shocking that the NAV per share as of June 2025 had fallen all the way £3.81, a 39% drop over the four-and-a-half years

of Gagné's reign. Nevertheless, the CEO was paid a hefty £3.1m last year.

With net debt now down to £1bn and Hammerson boasting property assets valued at £3bn, if anything the group is undergeared. Surprisingly perhaps, for a property company having undergone significant changes, in the half-year to June 2025, it turned in an operating profit of £63m and an annualised earning per share running at 20p.

This puts the shares at the current share price of almost £3 (post 10-for-one consolidation) on a price-earnings multiple of 15 – not bad for a property company characterised by a NAV per share discount of 21%.

At this price, Hammerson shares look like good value but this is little comfort to those who bought in at a pre-consolidation equivalent of £11.30 in 2019.

PTSB continued from page 25

clearly be targeting a figure of well under 50%.

This partly explains why PTSB is looking to achieve a 9% return on capital equity in 2027 when AIB is already returning 27.5%.

It is not surprising that NatWest flogged off the final 12% of its original 17% stake in PTSB last month at €2 a share. But on the basis of the Irish bank's annualised 8c earnings-per-share base on the first-half figures for 2025, its shares now at €2.30 are standing on an annualised price-earnings multiple of 29.

VOTE OF CONFIDENCE

This is chunky looking enough and certainly well up from the multiple of just 11 late last year

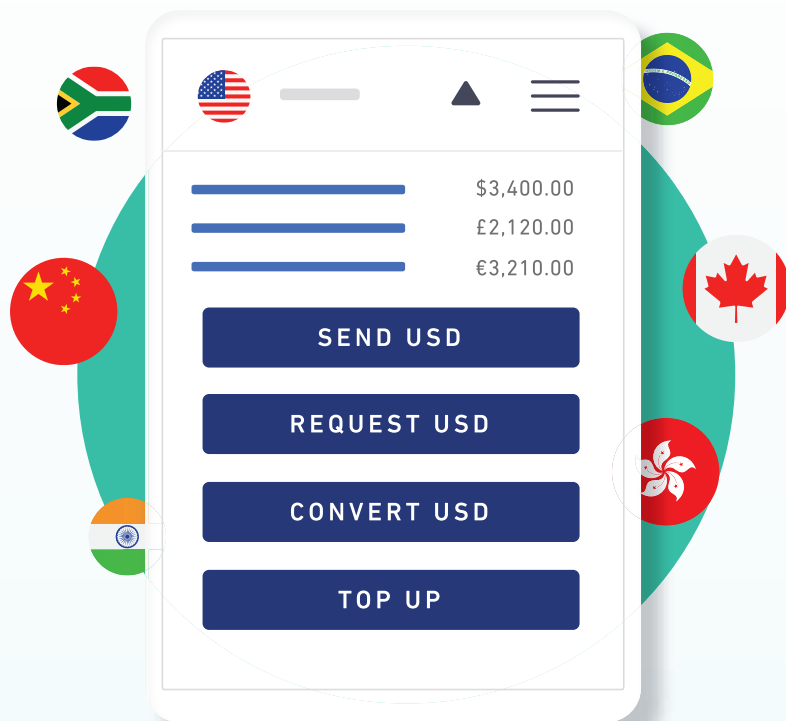


Julie O'Neill

now has is that the pillar banks opt to take whatever action is required to keep their net interest margins up by hiking mortgage rates. This would enable PTSB to also charge

a little more and, therefore, still earn a net interest margin of over 2% despite the prevailing lower interest rate environment being pushed in Frankfurt.

GLOBAL ACCOUNTS



MULTI-CURRENCY COVERAGE WITH ONE SOLUTION

Global Accounts from TransferMate allows you to hold, pay and receive in multiple currencies at one time while reducing the time it takes to transfer money internationally.



Global control
with accounts in
your name



Hold, pay and
receive in multiple
currencies



Faster, cost-effective
international
transfers

CONTACT US

Phone: +353(0) 1 635 3700
www.transfermate.com

follow us



TransferMate is regulated by the Central Bank of Ireland.
TransferMate provides payments services and is regulated globally.