

Roman Řezníček, a new CEO of the DRFG Group:

## **“We focus on expansion outside the Czech Republic, real estate and innovate technologies”**

Roman Řezníček, one of the DRFG's shareholders, moved to the forefront of the DRFG Investment Group as a new CEO in July.

Editorial team | 23 August 2023

### **Why this move, when besides a shareholder's position, you became a new CEO of the entire Group?**

At the end of June, a three-year contract of the previous CEO, Peter Hlaváč, expired. Peter finalised the required changes within the company, set up new processes and significantly increased profitability. Peter is not leaving the Group because we still want to take advantage of his experience and skills. That is why he is managing one strategic acquisition project now. However, the Group intends to intensify its expansion abroad in all three pillars – real estate, telecommunications as well as financial services, and therefore there was an idea to utilise my foreign experience. I am originally from Moravia, however, I have been living in Switzerland for almost ten years now, where I built up a successful company, and I think that new impulses need to be searched for in both professional and personal lives. To be at the forefront of our Group is a new challenge for me.



## **Can you specify what is your main goal in a new post?**

Even now, the DRFG Group is an international company and our goal is to expand abroad in all the areas mentioned. Concerning the real estate segment, our goal was to build up a portfolio of one billion euro. We succeeded in conquering this milestone at the beginning of the year, and now we need to conquer two billion. The goal is to own properties and continue in development activities. In telecommunications we want both to strengthen our position of a service provider for telecoms operators and to be a major owner and constructor of telecommunications infrastructure. In our opinion, this is a significant opportunity for us. We are also planning an expansion abroad in the segment of financial services as well as entering the online world. To sum it up – we want to increase profitability and strengthen our equity capital.

## **Nevertheless, there is another aspect to your engagement in DRFG, because in 2015, Suntel Group that you owned at that time was merged with DRFG. How did it actually happen and what does it mean for the future of the Group?**

I think that both parties realized at that time that the telecommunications is not only a key sector, but it is also the engine of the society that keeps the world running. It was the inception of the idea to merge DRFG and Suntel – my telecom company that I had been expanding for almost 20 years – and to start building up a large telecommunications unit under the Group's wings. The merger turned the Group into an internationally operating company with assets in the Czech Republic, Slovakia, Austria, Switzerland and Germany. We employ hundreds of people in these countries. Our clients include Swisscom, Cellnex, Vodafone, T-Mobile, Deutsche Telecom and others. Together, with a new strategy in telecommunications, we embarked on this new journey as a single entity and have not stopped since.

At that time, the first joint investment project was the consolidation of Czech Internet providers. In three years, we merged companies with nearly 100,000 customers and in 2018 we sold the Libli operator to the Nordic Telecom Group. The merger with DRFG then moved me personally into the world of finance and real estate; and I believe we are building one of the most important financial group, whereas when saying it I am not limiting myself just to the Czech Republic.

## **Can we say then that you are an expert who knows how to invest in telecommunications infrastructure, whether it concerns its construction, modernisation or maintenance, am I right?**

After about a quarter of a century of experience in the industry, which brought us to the current situation, I dare say, immodestly, that I am. Today, we are more agile when operating in this sector. But identifying the right opportunities is not always easy. Our focus is set on investments that have the potential for growth and must also be in line with our overall vision and structure. The fibre backbone network in Slovakia is a case in point. This project has linked telecommunications and real estate development. In 2019, we came across an unfinished fibre optic network in Slovakia and finalised it within the next three years. Currently, in Slovakia, we offer fibre optic capacity that spans more than 86,000 kilometres. This international network links up Vienna, Budapest and Uzhhorod in Ukraine. And together with a foreign partner we are going to expand it significantly. If you look at the current tradable market price of the companies that own telco infrastructure, it is 15 to 20 times of EBITDA earnings. That's unbelievable. This is a huge opportunity for us.



## **What is the impact of the current economic situation on your international business then?**

The telecom world lives its own life. The main drivers are primarily technological cycles rather than the economic ones. However, it does not mean that we are not affected by surrounding economic environment. On the one hand, our services are demanded, but on the other hand we are facing rising costs. Last year we were hit by the rising cost of fuel, as our employees drive millions of kilometres across Europe every year. Equally important is the increased labour costs and price of all materials. We have therefore been in negotiations with our customers since last year regarding the price adjustment. Our international clients are used to having stable prices that change every three to five years. However, this has changed now, as this topic becomes the basis of our discussions every quarter of a year. Having improved our internal efficiencies, we are able to address many of these issues, but when some costs increase by 100 percent, and wages and other costs increase by more than a third, it is unfortunately inevitable to have all these aspects reflected in the final price for the customer.

## **But more significant impact of the macroeconomic situation must be experienced in real estate business, am I right?**

Without a doubt, yes. The number one issue is inflation, but I dare say, that we as well as all financial groups, are affected primarily by the policies that fight inflation, that is namely high interest rates and resulting increased financial costs. These have affected us significantly, but we strived to work proactively and mitigate and minimise the negative impacts. First of all, not all foreign financial resources will be affected, as the rates are being projected gradually and we believe they will be dropping down soon. Secondly, it is thanks to our expansion abroad that we have partly escaped the high koruna rates and ended up with lower euro rates, as we have large projects in Poland and Slovakia, for example. Thirdly, in

the development, which is a significant part of our real estate business today, we are currently focusing on projects that are in the zoning and planning decision stage, which earns us some time. We believe that when the projects come to the building permit phase, during that time the rates will be lower, the real estate market will be more relaxed and the prices, especially of building materials, will drop down as well. This is something we are experiencing even now.

## **As you mentioned, you are also involved in development projects. What size of the projects are we talking about?**

The total market value of the real estate development projects is exceeding CZK 18 billion in residential and commercial segments. We entered the property development business three years ago, and next year and especially in 2025 and 2026, we are going to monetize several of these large projects and use the funds for further expansion.

## **In addition to residential development, you are also a major developer of logistics and retail premises. What are the Group's plans in these sectors?**

At the beginning our Group started in the domain of retail parks and this sector still remains a core segment of our business. Therefore, even here we are looking for new opportunities abroad, as in our country the retail premises market is almost saturated and current rates cannot cover the yield. However, in commercial real estate, we are now focusing primarily on logistics and industrial buildings. There is still free space in both the Czech Republic and especially Poland. The fact that we have an office in Warsaw and current projects on nearly 700,000 sqm with a market value of between CZK 6-7 billion is a good proof that we want to operate in Poland for the long term and build a large real estate portfolio there.





**And now, let's speak about financial services. Generally speaking, finance and investment are one of the most competitive sectors. What is your opinion on the current market situation?**

The Czech Republic is a relatively small market experiencing a fierce fight for clients and business partners, if you want distribution. As a strong company with a history, we are not afraid of competition, but even competition should have its boundaries. Sometimes, unfortunately, tools are used that are, in my opinion, beyond the pale. For example, now we came across some statements that question our results. Nevertheless, we know that it is only a competitive effort how to get the attention of our clients. These are often the groups that, unlike us, have almost no history. We have been operating in the market for twelve years and have both the know-how and the results. The DRFG Group is currently active in all its business pillars in six European countries and has built up a successful portfolio of properties in both commercial and residential sectors. The lettable area of all properties is more than 500,000 sqm, and in financial services we are proud to have 500,000+ satisfied clients. In the telecommunications division, we have connected more than 15,000 homes to the fibre optic network and installed more than 15,000 5G stations. To name just some of our successes.

**But your Group is also sometimes criticized for having extremely high debt because of the bonds. Isn't it a threat?**

We are an investment group, so by definition we actively use even foreign resources. However, these resources are always significantly outweighed by the value of the assets. The mix of financing resources, which can be split into equity, bonds and bank financing, has always been and still is our standard. The debt ratio also corresponds to other financial groups of our size and age, which in fact does not mean that we do not try to reduce it. We aim at raising our capital, primarily from the executed profits. And I would like to mention one more thing that is relevant when speaking about the debt ratio: it is important where you allocate the funds. As a strategic investor, in the long term DRFG invests in conservative sectors and does not leap into the projects across all segments or in startup adventures.

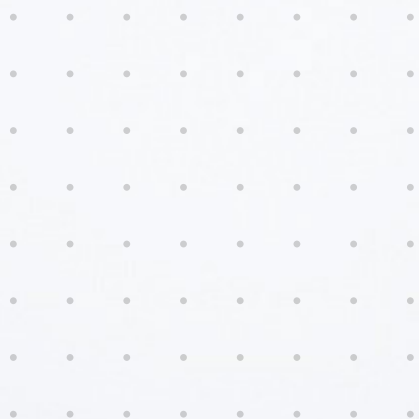
**Late summer and early September is a period when you usually publish the previous year's financial results. So, how is the Group doing?**

The year 2022 was undoubtedly one of the most difficult years for companies like DRFG. Mainly due to a high uncertainty in economy manifested by a low liquidity of financial markets, decline in margins on the real estate market and the rise of financial costs caused by an unprecedented increase in interest rates. Despite this, our Group made it through the entire year of 2022, achieved many business successes, acquired significant projects and finalised the year with a positive economic result. Compared to 2021, driven by a higher investment activity, we were able to increase the value of our assets and enter the year 2023 with a range of plans and business challenges.

**At the moment we are in the second half of 2023, so what are your current plans?**

There are some projects to be completed now, especially in the real estate sector. Again, these are primarily the projects abroad. Moreover, we are merging two consolidation units DRFG and DRFG Telco,

and implementing the IFRS/IAS, an international financial reporting and accounting standards. This will be a significant qualitative move forward, which will make it possible for us to become even more internationally involved.



About

## Roman Řezníček

He has been in telecommunications for **more than 23 years** and during this time he managed to build up an important telecom group, which eventually became a part of DRFG, in which Roman Řezníček is a co-shareholder. Since July this year, he has been the **CEO of the entire Group**. He lives in Switzerland. He enjoys playing tennis, running, skiing, and hiking.

