

Charlebois owners meeting: future strategy

Presentation to Charlebois Family

3 January 2018

Casimir Kontio

Kimi Paivarinta

Nicky Tuominen

Valtteri Viitala

Executive summary

How to keep
retailers?

- ✓ Re-negotiate lease terms and change income model
- ✓ Set rents to break-even level and obtain 1% of the sales

How to attract
customers to the
malls?

- ✓ Set free parking for shoppers spending over USD 20, otherwise USD 2 per hour
- ✓ Organize attractive events: music concerts, holiday season festive, community-related happenings

How to tackle the
rising online trend?

- ✓ Differentiate from online retailers and specialise in services needed for the area
- ✓ Keep food retailers and other necessity services in the malls

Current investment case

Portland

- Population 515,000
- Suburb close to the center
- Residential area 2 miles away
- Airport close

Hardfort

- Population 1,215,000
- 6 miles from the center
- 5 miles away from upper-middle class
- New residential area in the building

What can be provided in the area?

Current investment case

Portland

- Population 515,000
- Suburb close to the center
- Residential area 2 miles away
- Airport close

Hartford

- Population 1,215,000
- 6 miles from the center
- 5 miles away from upper-middle class
- New residential area in the building

What can be provided in the area?



Hotels/motels



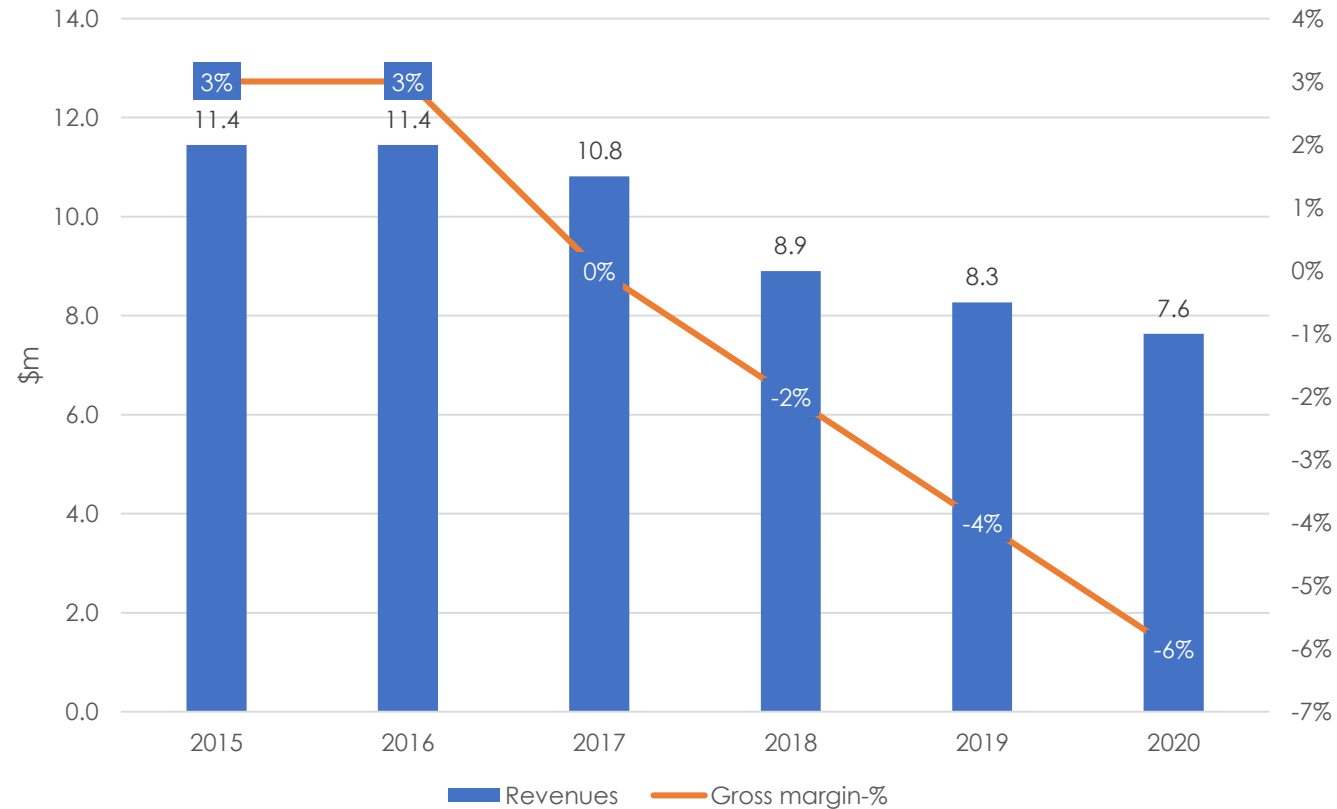
Offices

Trends affecting shopping malls

- E-commerce is squeezing brick & mortar stores
- Shoppers are using physical stores mainly as showrooms

Shift focus more to services

Company lookout if no actions are taken



Assumptions for 2017:

- 52,990 square meters
- \$20/m² average rent

Screening approach












Increase the wealth of our family










No need for large external capital

Leverage current expertise in RE

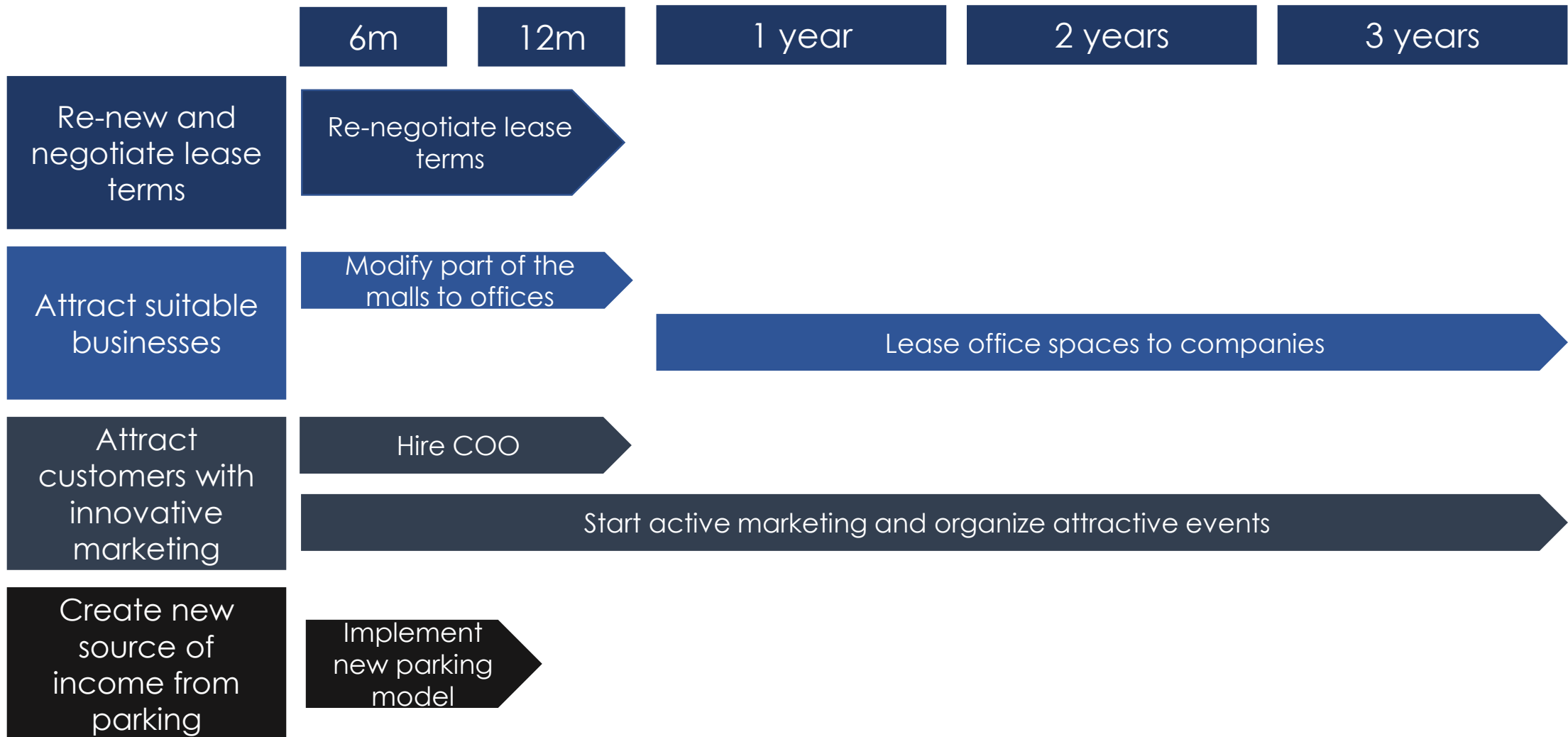
Alternatives

	Divest the investments	Change everything to office space	Re-negotiate the lease agreements
Increase the wealth of our family			
No need for large external capital			
Leverage current expertise in RE			

Alternatives

	Divest the investments	Change everything to office space	Re-negotiate the lease agreements
Increase the wealth of our family			
No need for large external capital			
Leverage current expertise in RE			

Implementation plan



Re-new and negotiate lease terms

Re-negotiate
lease terms
based on our
break-even
point

Negotiate mall
rents so that we
gain 1% of their
sales as revenue

Focus on
service sector

Be more flexible with rent prices

Attract suitable businesses

Look for
companies to
rent office
space

Modify 10% of
Hartford to
office space

Develop an
app for the
malls to inform
about the
happenings

Focus on services

Marketing

Organize events
in malls (e.g.
music concerts,
holiday festives,
community-
related events)

Be present in
social media
and traditional
marketing
channels

Develop an
app for the
malls to inform
about the
happenings

Attract more customer volume to the malls

Create new source of income from parking

Incentivise parkers to shop in the mall – over USD 20 purchase customers get parking for free; otherwise USD 2 per hours

Diversify income volatility

Costs and revenue from parking

Costs	
\$000	Costs
Marketing	(100)
COO	(70)
Mall app	(40)
Office renovation	(200)
Total annually	(170)
Total	(410)

Parking	
\$	Amount
Business days in a year	260
Commuter cars	40
Pays parking \$10	40%
Goes shopping, avg. purchase \$40	60%
Total revenue	45,344

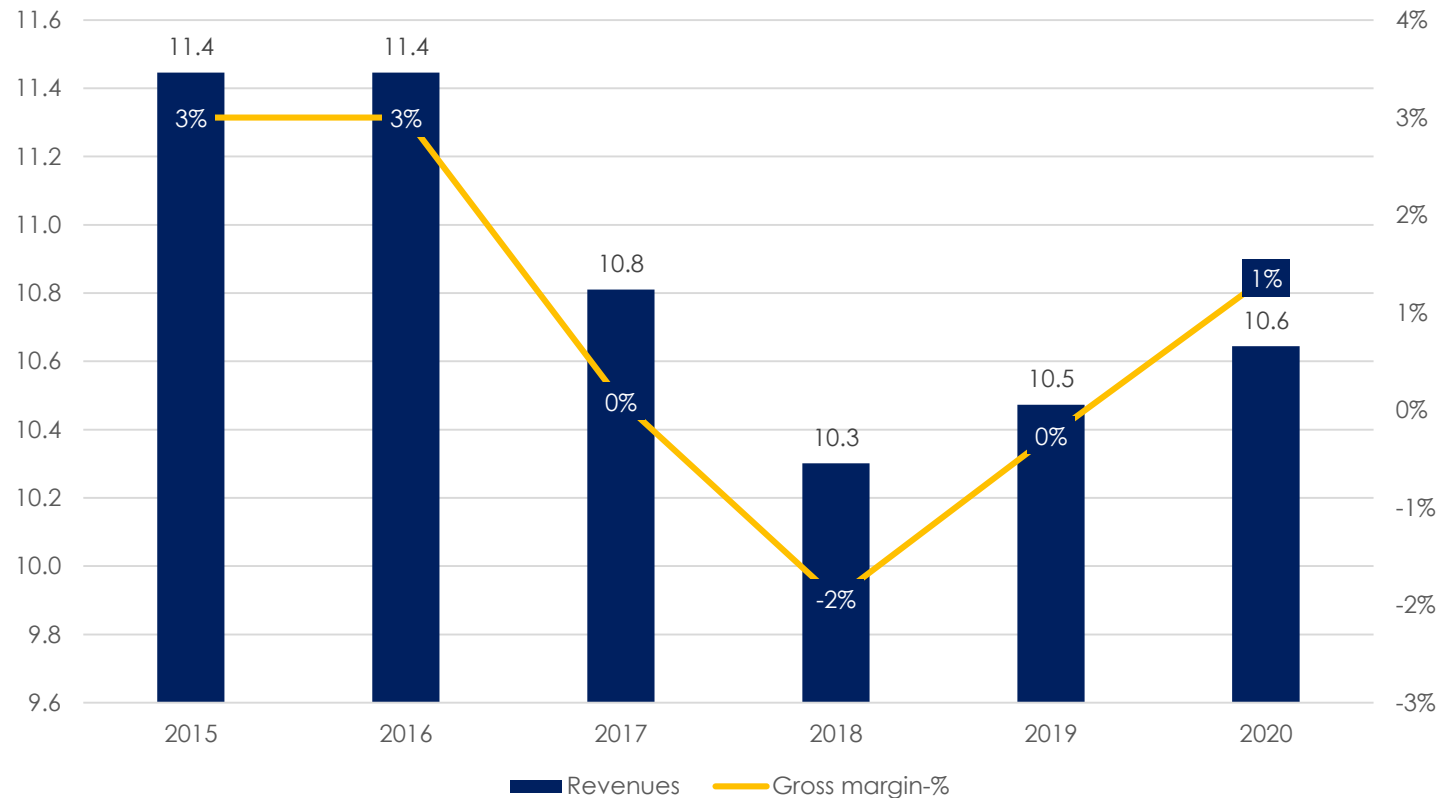
Funding of the new strategy plan

Loan



- Portland as collateral
- Costs are \$410,000
- Reserve for renovations needed in next year

Changing the direction of future development



Assumptions for 2018:

- 25% of rents will be renegotiated to \$18/m² rent

Key risks and actions to mitigate them

Risk	Probability	Magnitude	Actions to mitigate
Retailers face financials difficulties	Mid	Mid	Offer new leasing terms based on sales fees
Lack of shoppers	Mid	High	Differentiate offering from traditional malls; offer more services
Disputes between owners	Mid	Mid	Bring outside talent as COO

Conclusion

How to keep
retailers?

- ✓ Re-negotiate lease terms and change income model
- ✓ Set rents to break-even level and obtain 1% of the sales

How to attract
customers to the
malls?

- ✓ Set free parking for shoppers spending over USD 20, otherwise USD 2 per hour
- ✓ Organize attractive events: music concerts, holiday season festive, community-related happenings

How to tackle the
rising online trend?

- ✓ Differentiate from online retailers and specialise in services needed for the area
- ✓ Keep food retailers and other necessity services in the malls