



Charlebois Growth Alternatives

Agenda

- ▶ Problem statement analysis
- ▶ Possible options
- ▶ Recommendation
- ▶ Implementation
- ▶ Finance
- ▶ Risk mitigation

Substantial loss of revenue from closed stores requires a pivot

- ▶ Anchor stores are closing
- ▶ Independent stores struggling to pay current rent
- ▶ Parking spaces used by non-shoppers
- ▶ General decline of brick and mortar retail

Options

Maine Mall	Pros	Cons	Summary
Charge for parking	Revenue	May affect shoppers	Can offset rent
Increase office space	More stable revenue	May lose existing business	Risk of losing shoppers
Convert to Condos	Higher revenue from rents	Expensive	High risk and long build time
Sell	Highest cash	No residual	Last resort
Lease space for Hotel	Near airport	Construction cost and time	Highest potential revenue

Conn. Mall	Pros	Cons	Summary
Charge for parking	Revenue	May affect shoppers	Can offset rent
Increase office space	More stable revenue	May lose existing business	Risk of losing shoppers
Convert to Condos	Higher revenue from rents	Expensive	High risk and long build time
Sell	Highest cash	No residual	Last resort

Each mall has its own best choice

Maine mall

- ▶ Lease extra space as a hotel

Connecticut mall

- ▶ Convert some existing space to high end condominiums or apartments

Both options are contingent on finding an appropriate partner

Maine Mall Strategy

- ▶ Location, location, location
 - ▶ Nearby airport and city center
- ▶ Free of mortgage
 - ▶ Lease income is pure profit
- ▶ Already needs updates
- ▶ Can add restaurants as tenants

Connecticut Mall Strategy

- ▶ Expected to lose more anchor stores
- ▶ Likely to lose smaller businesses
- ▶ Condos to support professionals and retiring boomers
- ▶ Larger combined rents from tenants
- ▶ Can add restaurants as tenants

Implementation, 2018 and 2019

- ▶ 50% of leases at both malls will expire by 2019
 - ▶ Allow this to happen in 2018.
 - ▶ Allow businesses intending to leave in 2019 to close early.
- ▶ Move any businesses that wish to stay to one half of the mall.
- ▶ We expect to begin construction in 2019.

Implementation, 2020 and 2021

- ▶ Construction at both locations is assumed to be 2 years.
 - ▶ Construct condos at the Hartford location.
 - ▶ Lease space to a motel chain at the Portland location.
- ▶ We will be signing leases through 2020 with a 2021 move in date.
- ▶ Net present value through 2023 is \$5.3 million, with reasonable assumptions.

Financial Breakdown

All Values in thousands of dollars	2018	2019	2020	2021	2022	2023
Portland Mall						
Motel						
Revenue from rent of motel				\$ 1,440	\$ 1,584	\$ 1,742
Revenue from rent of stores	\$ 1,102	\$ 1,166	\$ 1,231	\$ 1,296	\$ 1,426	\$ 1,568
Profit	\$ 1,102	\$ 1,166	\$ 1,231	\$ 2,736	\$ 3,010	\$ 3,311
Connecticut Mall						
Cost to build condos		\$ -10,000	\$ -10,000	\$ -100	\$ -100	\$ -100
Revenue from Condos				\$ 2,538	\$ 2,792	\$ 3,071
Revenue from rent of stores	\$ 2,162	\$ 2,290	\$ 2,417	\$ 2,544	\$ 2,798	\$ 3,078
Profit	\$ 2,162	\$ -7,710	\$ -7,583	\$ 4,982	\$ 5,490	\$ 6,049
Total profit	\$ 3,264	\$ -6,544	\$ -6,352	\$ 7,718	\$ 8,500	\$ 9,360
Discounted values (Discount rate of 20%)	\$ 3,264	\$ -4,544	\$ -3,676	\$ 3,722	\$ 3,416	\$ 3,135
NPV	\$ 5,316					

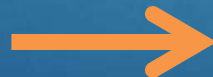
Financial Assumptions

- ▶ Portland Mall
 - ▶ 80 room space, 1500 sq feet per room
 - ▶ 60 stores, 2000 sq feet per store
- ▶ Hartford
 - ▶ 140 condos , 1500 sq feet per condo
 - ▶ 106 stores, 2000 sq feet per store
- ▶ Discount Rate of 20%

Risks to proposed Hotel implementation

Risks

- ▶ Discount shopping center may impact remaining stores
- ▶ Existing tenants may not want to move
- ▶ May not find suitable hotel/building partner



Mitigation

- ▶ Focus on more restaurants and convenience shopping
- ▶ Offer to pay to move to new mall location
- ▶ Lease non-renewal if necessary
- ▶ Consider alternative strategy

Risks to proposed Condo implementation

Risks

- ▶ Lost stores may not provide incentive for residents to move in
- ▶ New condo development may impede rentals
- ▶ Rents may not cover additional building costs



Mitigation

- ▶ Focus on more restaurants and convenience shopping
- ▶ Offer incentives for early adopters
- ▶ Consider alternative strategy

Business pivot takes advantage of changing retail landscape

- ▶ Take advantage of location and demographics
- ▶ Transition retail environment to integrated living

Comparison of mall conditions

Metric	Maine	Connecticut
Population	515K	1200K
Location	Suburbs and city center	Suburban
Mortgage status	Paid	Mortgaged
Nearby businesses	Light commercial, auto, fast food, local businesses	High tech and professional offices
Demographics	Low middle	Upper middle
Nearby transportation	Airport	Train
Nearby new construction	Real estate and discount mall	High rise condo
Store closures	Higher rate of closures	Lost anchors
Profitability	Lower than last year	Lower than last year