

Time for change

Charlebois Family Investments Inc.

Presenting to:

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Date:

3rd January 2018

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What to tackle?

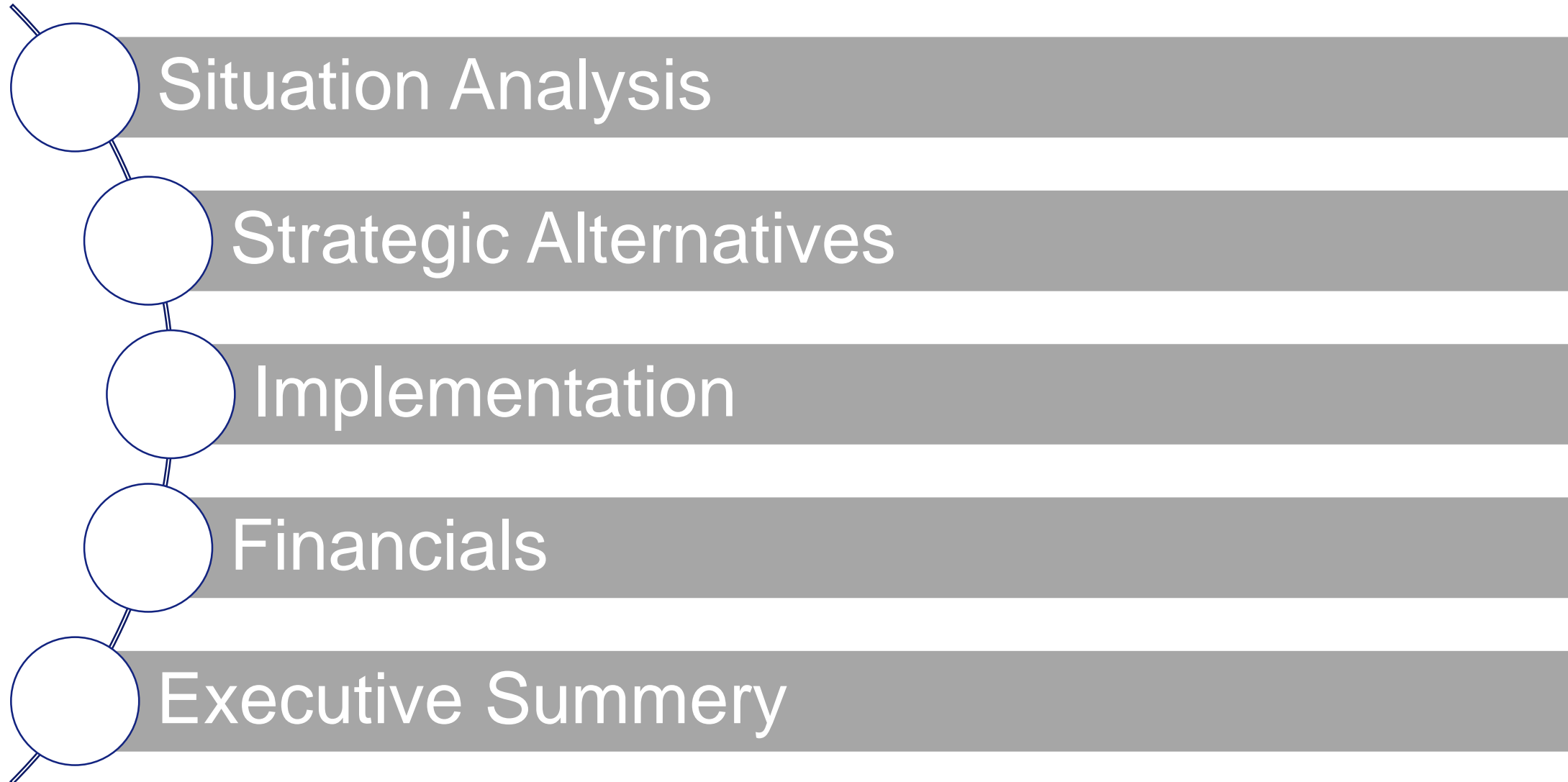
How to deal with the two malls in family hands with regards to the changing retail market?

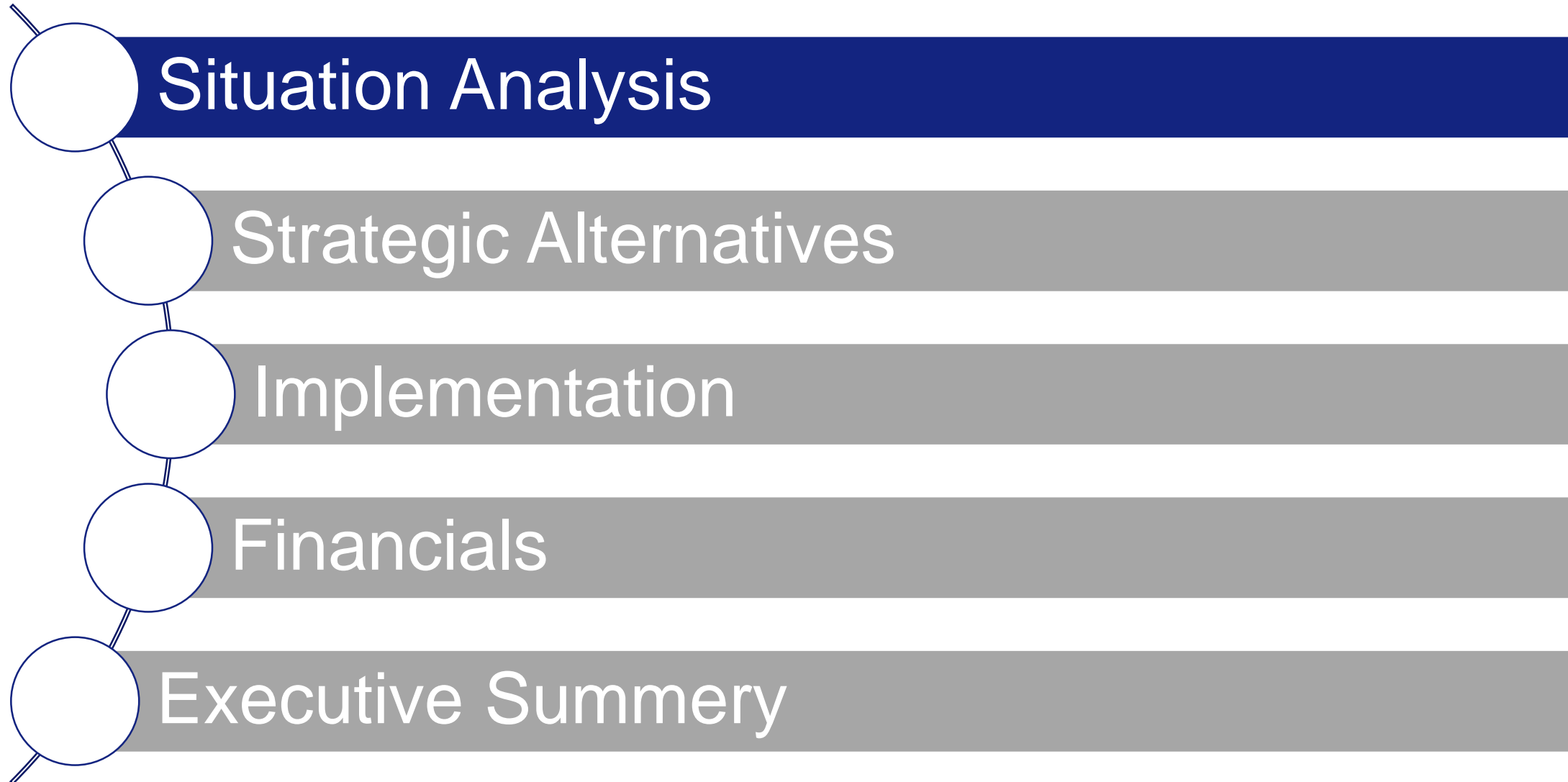
What to tackle?

How to deal with the two malls in family hands with regards to the changing retail market?

How to solve?

1. Sell Hartford mall after small upgrades
2. Reinvest in Portland mall to restructure it into office space





Commercial real estate business is suffering due to increasing online business

Retail sector worldwide is changing

- Online shopping is increasing
- Shoppers are decreasingly visiting malls in North America and Europe
- Shopping mall's clients sales are dropping
- Less willing and less able to pay mall rents

Charlebois Family Investments Inc. Malls

- 25% of leases will expire within the next 12 months
- Both malls have declining sales and profitability



Family faces financial risk when staying in retail business

Two malls are facing different challenges and offer different opportunities

Portland Mall

Area and mall

- 515,000 population with lower-middle class
- **Close to airport**
- Located in a suburb close to the city center
- 125,400 square feet with 22 retail stores
- 22,000 square feet office space in second floor

Assessment

- No anchor store
- Show signs of wear → Need to improve
- **New retail spaces about to open across town**
- Was not profitable this year
- + Large footprint grocery stores
- + **Mortgage free**
- + **Food court included**
- + **Parking system in place**

Interesting real estate opportunities but suffering in retail business

Hartford Connecticut Mall

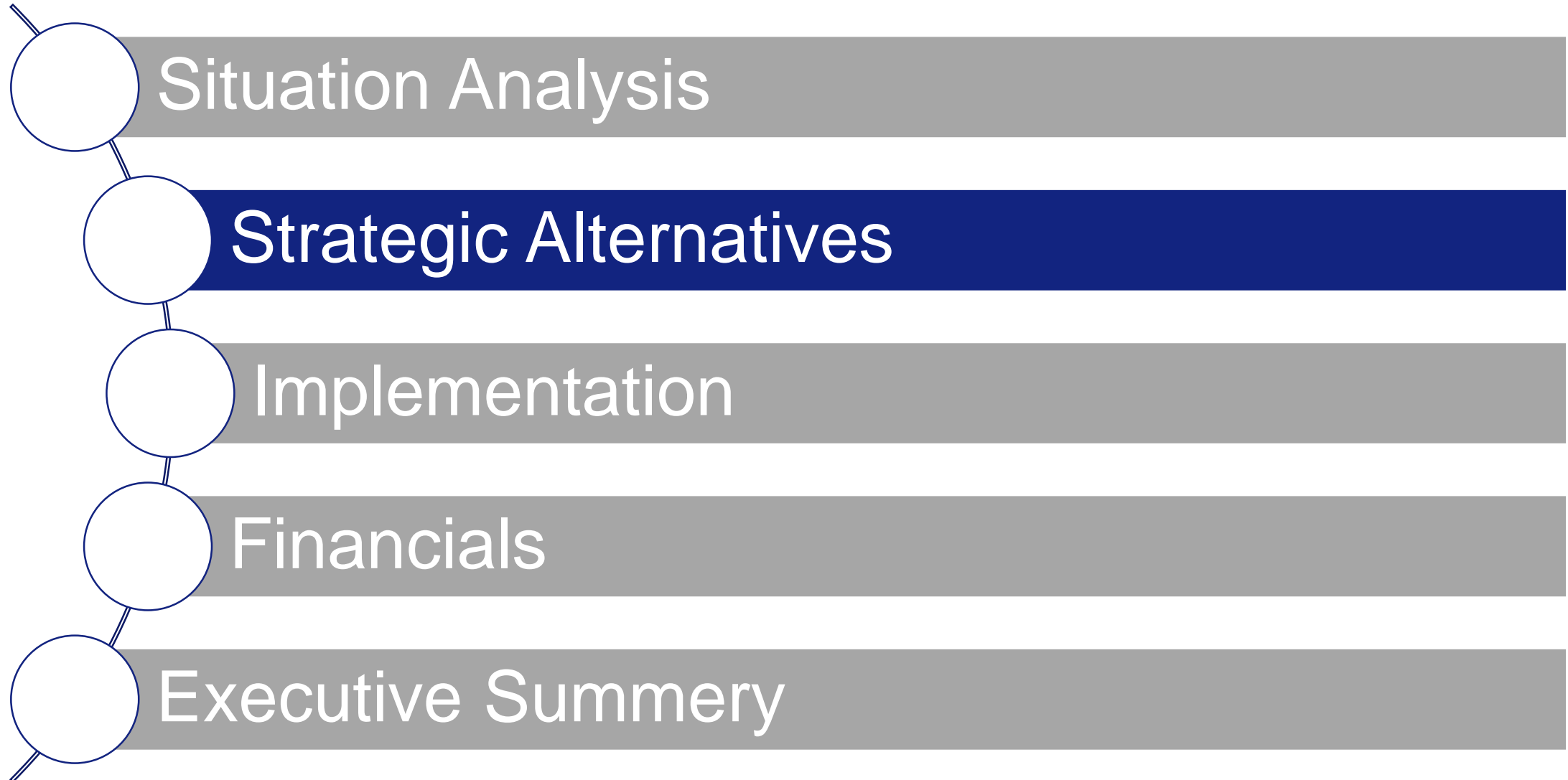
Area and mall

- 1,215,000 population with upper-middle class
- **Commuters use parking space**
- Area includes high-tech businesses
- Owned for 5 years

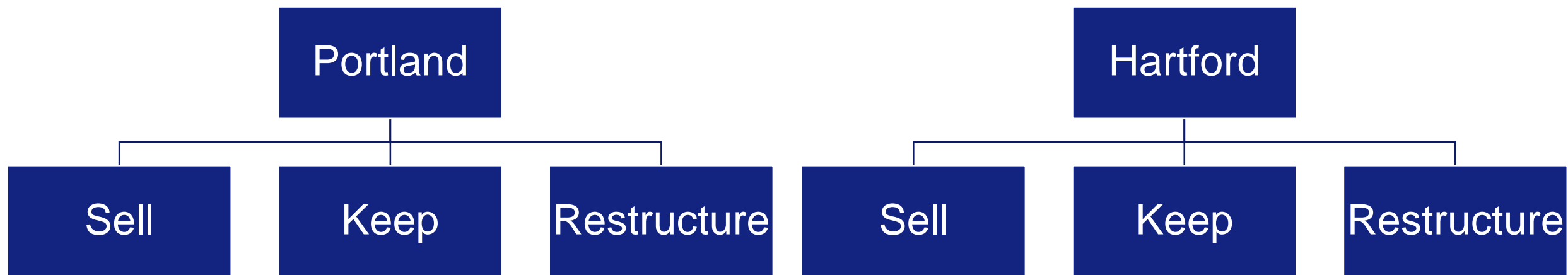
Assessment

- Has not been profitable this year
- Facing retail bankruptcies and closures at the location
- **Still mortgage**
- **One of the biggest anchor store is leaving and others are unsure**

Hartford mall is in a tougher situation



For both malls three major strategic alternatives are available



For both malls three major strategic alternatives are available

Sell

- Selling business to an investor
- Manly big mall owners

Keep

- Going on with business
- Focus on renovation
- Increase rentals to fill retail space

Restructure

- Repurpose space
e.g. office space, sport area, activity spaces, warehouses

Three major criteria found for decision on the right strategy

1

Minimizing financial risk

2

Increase revenues

3

Leveraging opportunity from external environment

Hartford Mall suffers from high financial risk due to declining retail business

Hartford Connecticut Mall

	Sell	Keep	Restructure
1 Minimizing financial risk	High	Low	Medium
2 Increase revenues	High	Medium	Medium
3 Leveraging opportunity from external environment	Medium	Low	Medium

● High
● Medium
● Low

Selling the real estate is the best opportunity for the Hartford Mall

Hartford Connecticut Mall

	Sell	Keep	Restructure
1 Minimizing financial risk	●	●	●
2 Increase revenues	●	●	●
3 Leveraging opportunity from external environment	●	●	●

Selling the real estate is the best opportunity for the Hartford Mall

Hartford Connecticut Mall

	Sell	Keep	Restructure
1 Minimizing financial risk	●	●	●
2 Increase revenues	●	●	●
3 Leveraging opportunity from external environment	●	●	●

→ To achieve higher sale price small upgrades before divestment advised:

- ❖ Park and ride
- ❖ Extend expiring rents

Portland Mall offers opportunity coming from their external environment

Portland Mall



Portland Mall offers ideal circumstances for restructuring efforts

Portland Mall

	Sell	Keep	Restructure
1 Minimizing financial risk	Green	Red	Yellow
2 Increase revenues	Green	Red	Green
3 Leveraging opportunity from external environment	Red	Red	Green

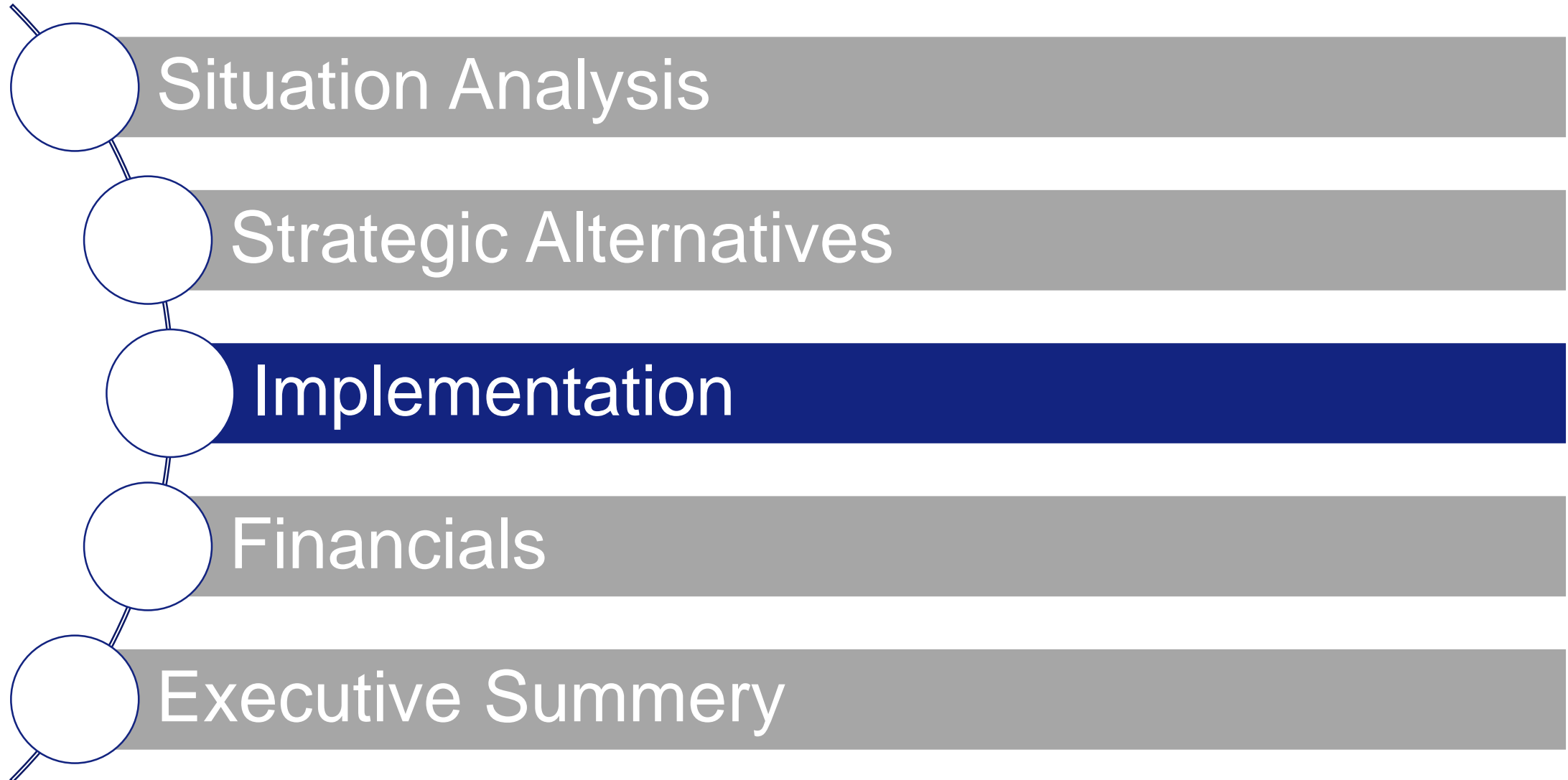
Portland Mall offers ideal circumstances for restructuring efforts

Portland Mall

	Sell	Keep	Restructure
1 Minimizing financial risk	Green	Red	Yellow
2 Increase revenues	Green	Red	Green
3 Leveraging opportunity from external environment	Red	Red	Green

→ Stepwise restructuring into office space:

- ❖ Opportunity to leverage on surroundings
- ❖ Expansion of current office space



Making Hartford Mall attractive for future buyer

What needs to be tackled to make Hartford attractive?

- Keeping the 25% of retailers with expiring contracts by lowering rents by 10%
- Developing Park&Ride system with discount usable in stores

Develop attractive Park&Ride system in Hartford

Target group

- People taking the train from the nearby station

Strategic partner

- Train company

Pricing

- Each hour → \$ 1
- 24h → \$ 12 (\$ 2 discount in Shops inside the mall)

Set up

- Installation of ticket machines
- Installation of barriers
- Providing stores with code scanning systems for discount

New offices in Portland starting 2019

Why is Portland attractive for offices?

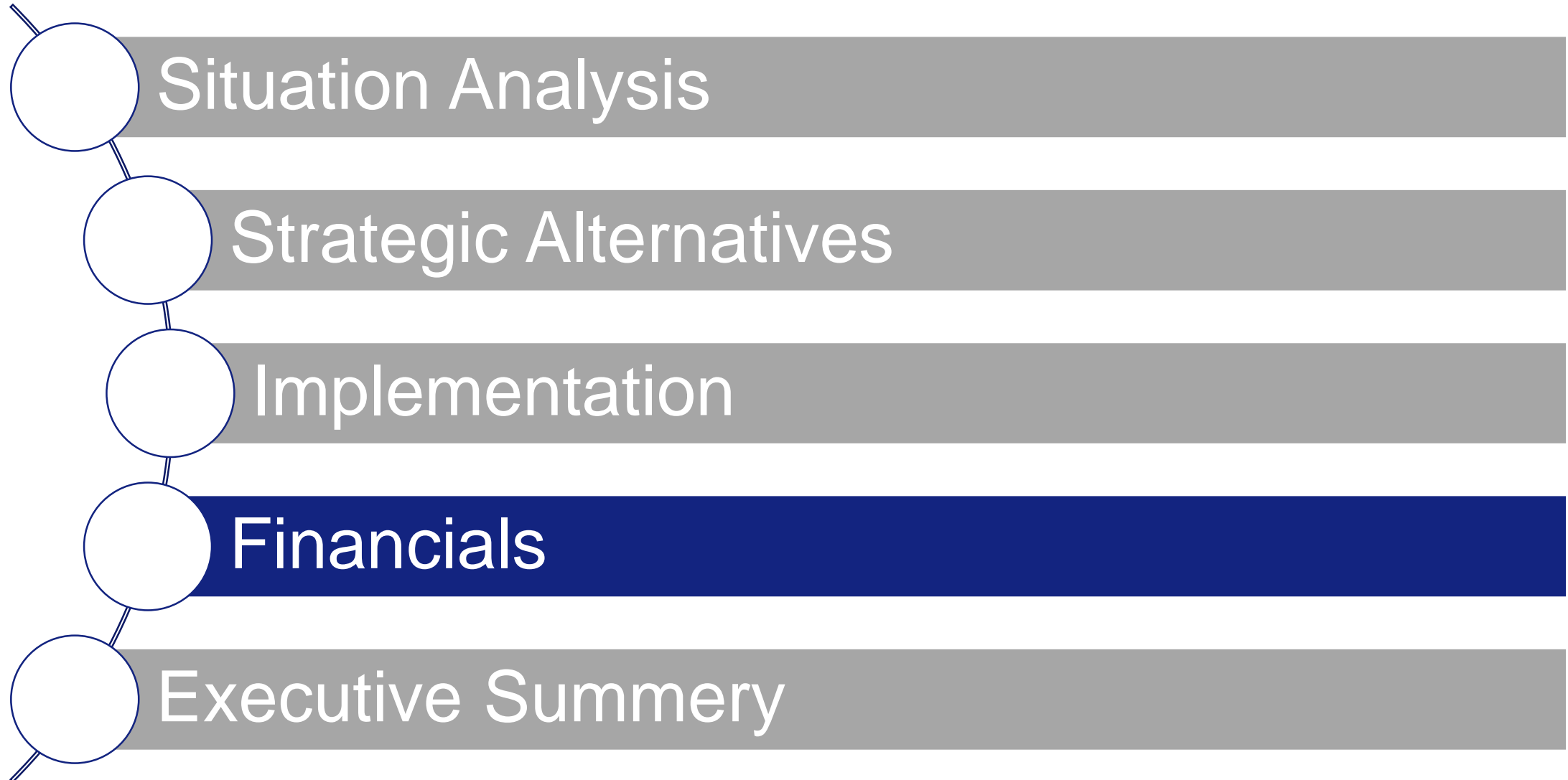
- Close to airport
- Food court
- Not dependent on unsecure retail market
- Parking system

How can Portland look like in 2020?

- Open office solutions as first step
- Bigger offices possible
- Companies pay for parking
- Attractive food court for lunch

Costs of about \$ 7 million for implementing a bright future

Activity	2018	2019	2020	Costs
Hartford				
• Reduce rent	→			\$ 118,000
• Park&Ride	→			\$ 30,000
• Find buyer	→	→x		\$ 20,000
Portland				
• Start restructuring			→	\$ 7,000,000
				\$ 7,168,000



Achieving proceeds from the sale of the Connecticut mall

Assumptions

- 10 USD/ square metres store rent
- 60% EBIT margin
- 6x EBIT multiple for comparable malls

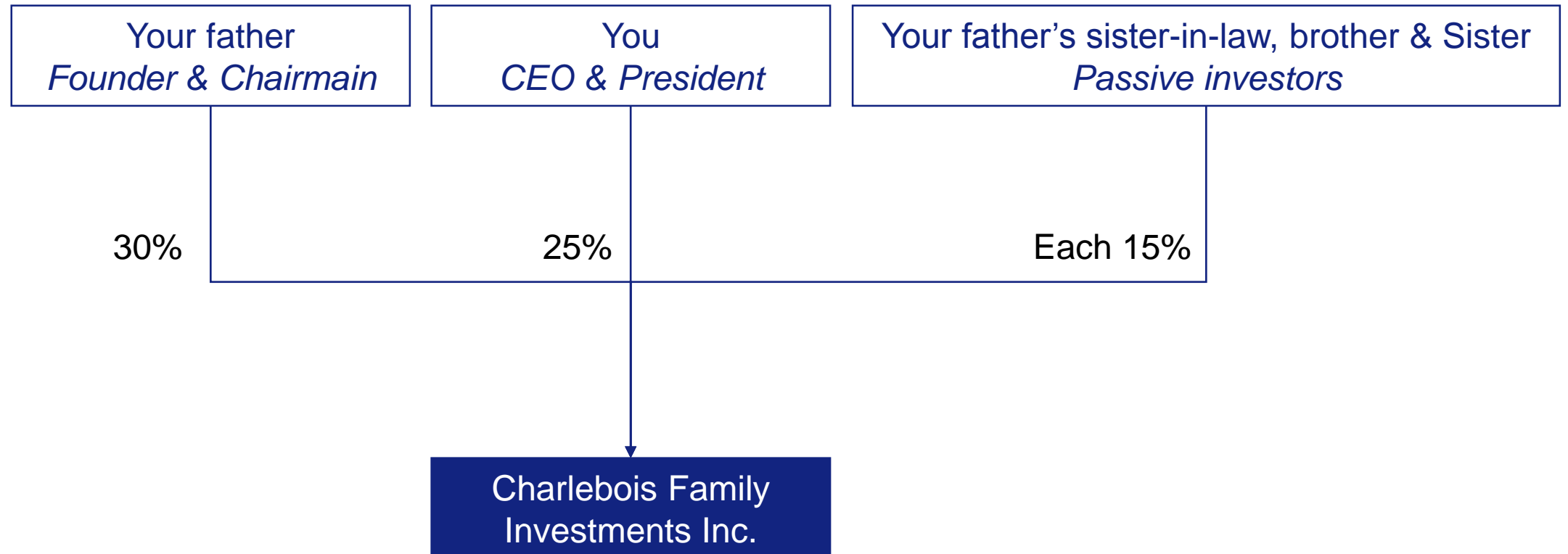
Valuation

- USD 4.7m revenues
- USD 2.8m EBIT
- USD 17m value of mall



- Consider Mortgage of USD 6m
- Net proceeds will amount to USD 11m in 2019
- Convince family-members for reinvest
- Consider buffer for payment of family

Consider buffer of 4 Million US Dollar for payout of aunt and father

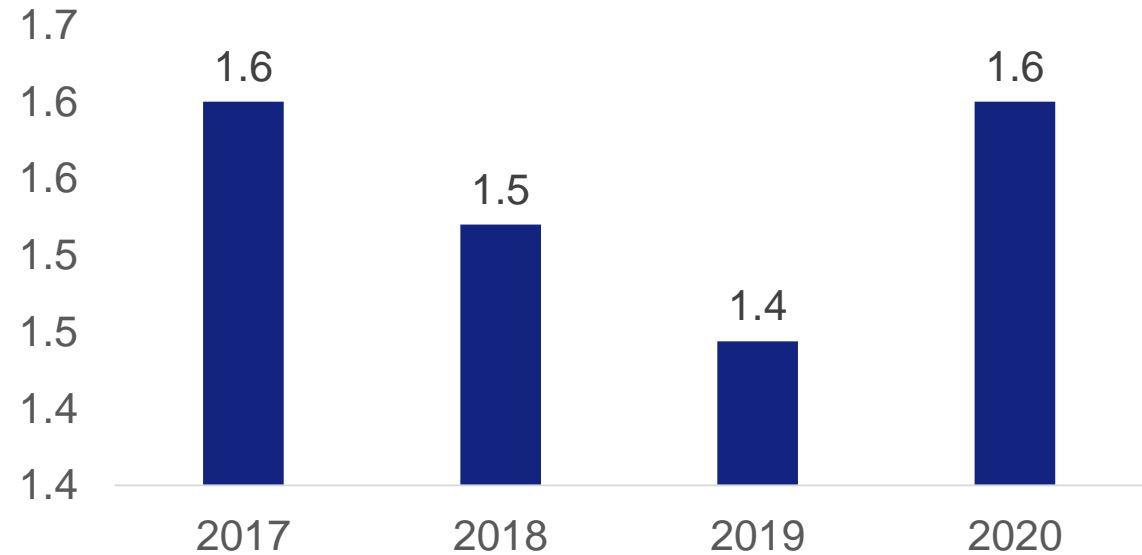


Achieving stable revenue streams from the Portland mall

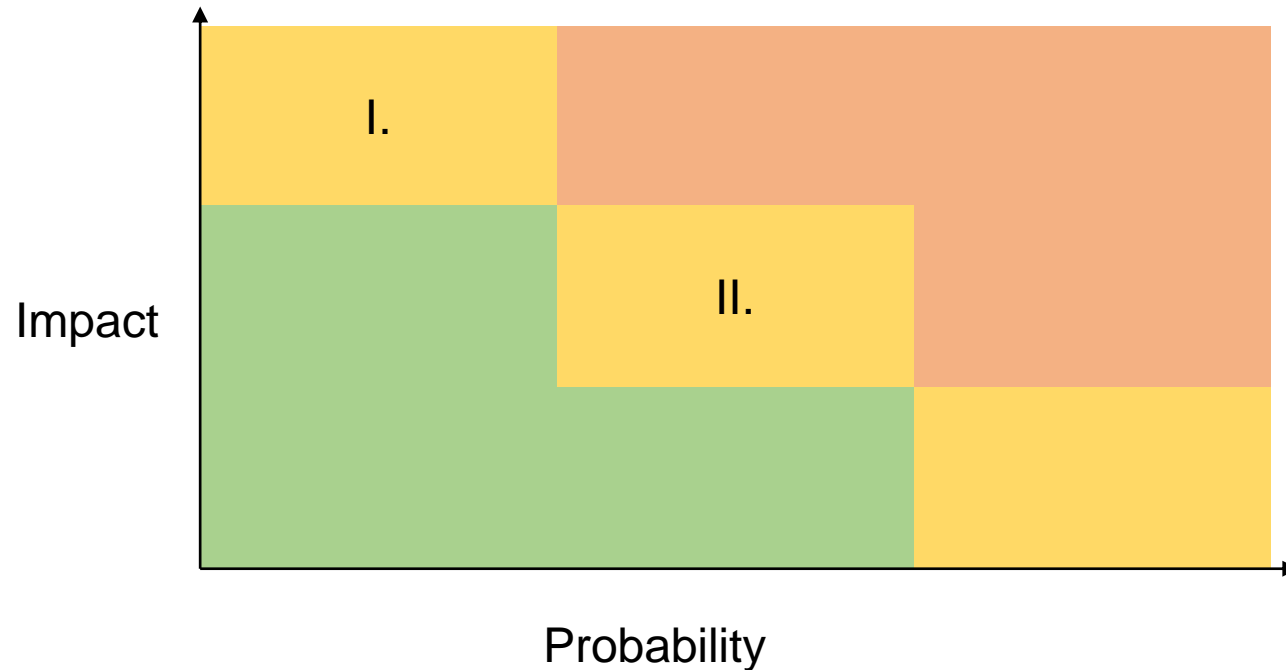
Assumptions

- 10 USD/ square metres store rent
- Decrease of 5% p.a. of revenue due to loss of stores
- In 2020 10% of space is restructured to office space
- 11 USD/ square metres for restructured office space

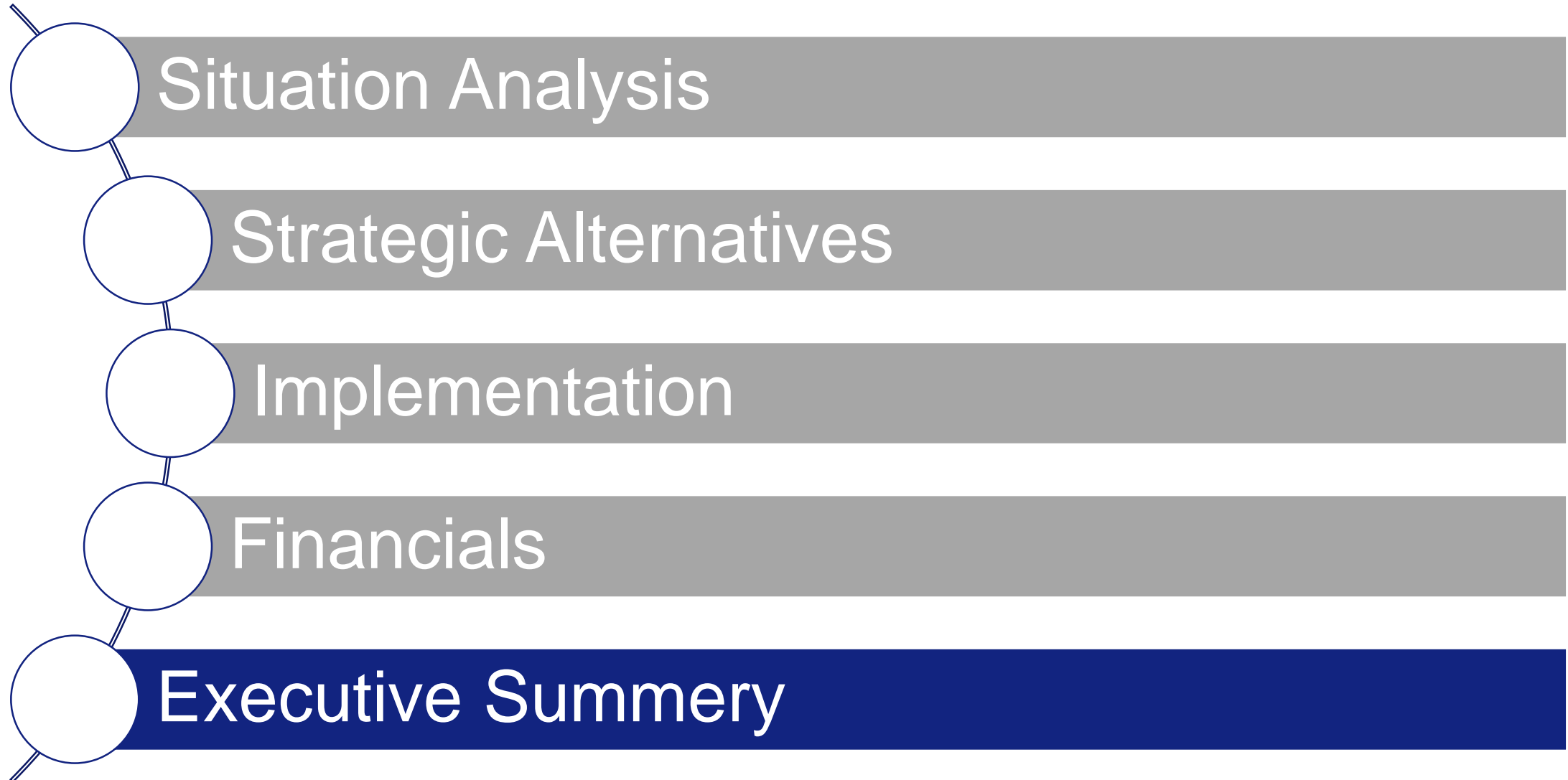
Revenue Outlook



Risks & Mitigation



- I. No suitable buyer will be found
→ Support of consulting firm targeting SME & wealthy individuals
- II. Other shareholders won't agree to sale & restructuring plan
→ Focus on owner's meeting & on convincing family-members
→ Consider buffer of sale proceeds for pay out of father and aunt



Executive summery

