

Charlebois Family Investments Inc: Moving forward

PRESENTED BY: CEO

PRESENTED TO: OWNERS

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Agenda

1. Introduction
2. Analysis of the company and the market
3. Options analysis
4. Recommendations
5. Implementation
6. Risks and contingency plan
7. Timeline
8. Conclusion

Our company faces a list of challenges

- Declining revenues and expiring contracts of the leases
- Trend in retail brick and mortar sales: negative industry outlook
- Our family hugely relies on the income from the business, so we have to take actions now
- Increased competition at some geographies



HOW DO WE ACHIEVE SECURE SOURCE OF INCOME?

Internal analysis: situation now

	Portland	Connecticut
Geography	Close to the city centre	10 km from city centre
Size	12K sq m / 22 stores / 1860 sq m of offices	40K sq m / 89 stores
Population	515000 people in the area	1215 000 people in the area
Condition	Old and needs refurbishment	Relatively fresh
Mortgage	no	yes
Competitors	Walmart / discount store	
Surrounding	Airport / Other small businesses	Railway station close by / Hi tech businesses / condominiums

Problematic location with bad prospects and needing additional investment

Better area and alternative opportunities


External analysis: declining offline retail sales

Declining pedestrian traffic

Raising online sales





















Many stores reduce the number of locations

Smaller specialty stores are also closing



**Trends in the market are going to disrupt our business
The question is not if, but when we change out business!**

Charlebois has several options to achieve profitability

OPTION	STRATEGIC FIT	PROFITABILITY	COST	COMPETITIVENESS	TOTAL
Status Quo					
Invest into malls and try to attract new customers					
Sell the business					
Phase out from mall business and enter new one					

Strategic recommendation

Step 1. Divesting from Portland property

Step 2. Asset enhancement program for Connecticut

Step 3. Asset securitization

Implementation: step 1

WHAT?

Divesting from Portland mall

WHY?

- **Limited future prospects**
- **Mortgage free property**
- **High wear**
- **Unpredictable business**
- **Funds from divesting will open new opportunities**

HOW?

- **Ask tenants if they want to buy off the asset**
- **Approach real estate development company to open the rumored discount store**
- **Sell off through real estate market**

Implementation: step 2

WHAT?

Use the cash to launch an asset enhancement program for Connecticut

WHY?

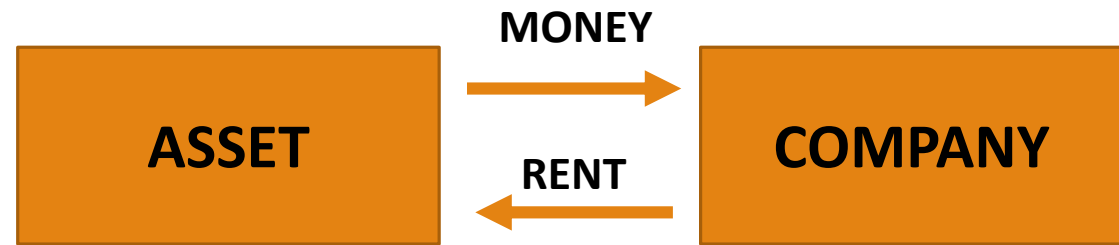
- Enhance asset value for potential securitization
- Good connected area – surrounded by high tech businesses
- Expiring leases

HOW?

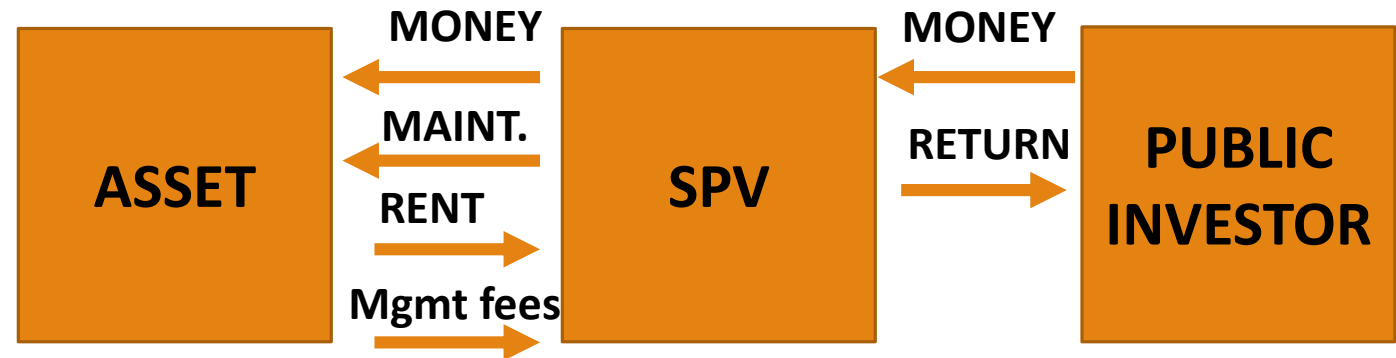
- Dedicate certain sections or floors for office complexes
- Phase out retailers as their leases expire
- Retain or invest into services (food / gym)
- Additional revenue through charging for parking

Implementation: step 3

CURRENT



FUTURE



Implementation: step 3

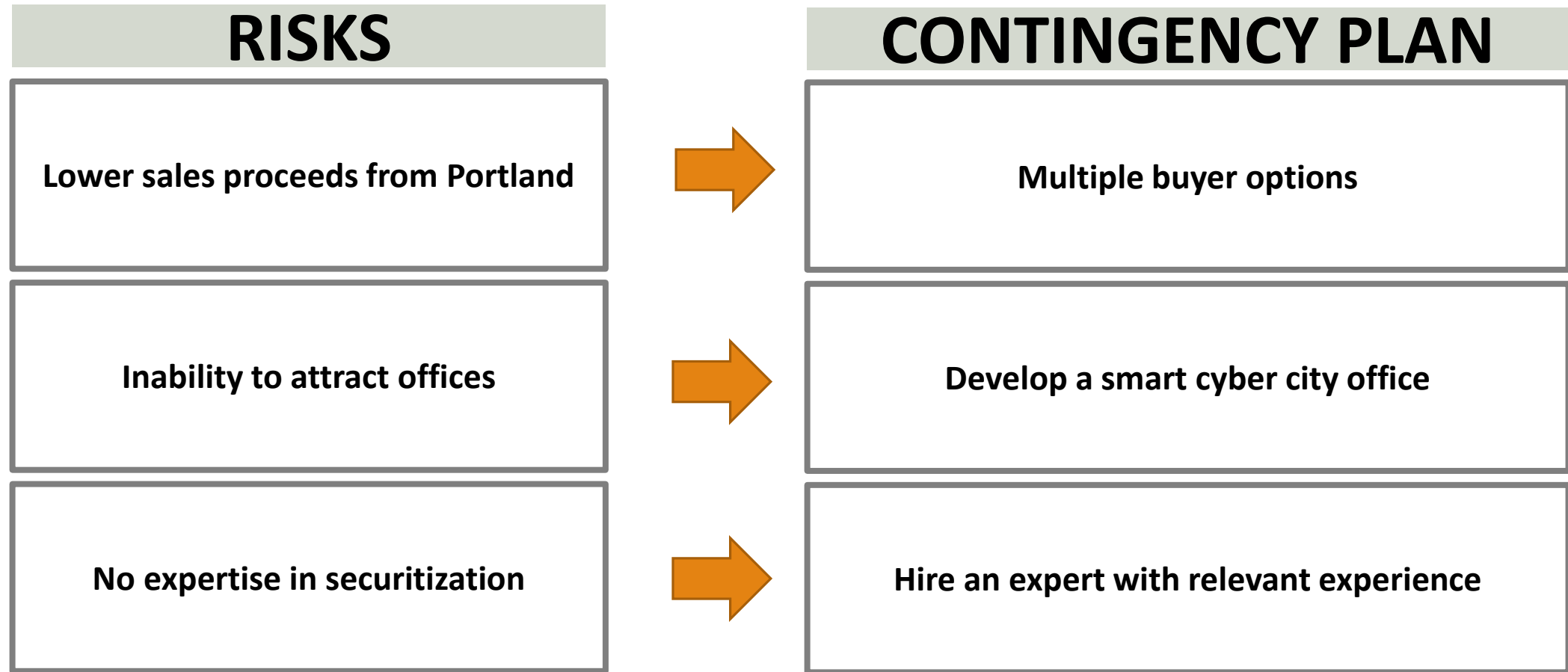
WHY?

- **Divesting property risk**
- **Reduce capital assets**
- **Change from rental to management fees model**
- **Higher incentive for investors to rent**
- **Reliable income source**

HOW?

- **Set up SPV**
- **SPV conducts property valuation through 3rd party**
- **SPV lavys the asset from parent company**
- **SPV lists the property**
- **Shift to management fees model and invest in new property**

Proposed strategy has several risks



KPIs to assess the success of the strategy

STEP 1

- Property valuation
- Sale proceeds from Portland mall

STEP 2

- Number of office spaces leased out
- Increase in revenue

STEP 3

- Management fee revenue
- Property valuation

Financials – Valuation of Portland

Store	Retail Space (ft2)	Office Space (ft2)	Total Area	Assumed Valuation (USD/ft2)	Total Valuation
Portland	515,000	125,400	20,000	7	1,017,800
Connecticut	1,215,000	425,000		10	4,250,000

Estimated amount received from divestiture of Portland:

USD 1,017,800

Amount to use for AEP:

USD 712,460 (70% of divestiture of Portland)

Amount of years for AEP:

3 years

Depreciation of year:

USD 237,487

Financials – AEP for Connecticut

Store	Retail Space (ft2)	Office Space (ft2)	Total Area	Assumed Valuation (USD/ft2)	Total Valuation
Portland	515,000	125,400	20,000	7	1,017,800
Connecticut	1,215,000	425,000		10	4,250,000

Estimated increase in valuation for Connecticut: **50% (USD 2,125,000)**

Valuation of Connecticut after 3 years: **USD 6,375,500**

Financials – Discounted Cash Flow Model

Year	2017	2018	2019	2020
Divestiture	1017800			
AEP	-237,487	-237,487	-237,487	
Increase in valuation of Connecticut				2,125,000
Net sum	780,313	-237,487	-237,487	2,125,000

Calculated NPV: **\$1,786,081**

Assumption: **WACC = 10%**

Proposed timeline

	2017		2018		2019		2020		
	H1	H2	H1	H2	H1	H2	H1	H2	
Divest Portland									
- sell of the property	█								
AEP for Connecticut									
- shift retailers	█	█	█						
- renovate		█	█						
- start leasing offices			█	█					
- develop additional revenue streams	█								
Asset sec model									
- set up SPV	█								
- property valuation		█							
- sell asset to SPV									
- list property			█	█					
- shift to management fees model			█	█					
- aquire new property						█	█		

Our company will be a new company entering new markets

We will adopt a step-by-step process involving divestiture of Portland, enhancing the remaining asset (Connecticut) and ultimately securitizing the remaining asset.

Cash Flow Position



Diversified risk due to bigger portfolio



Position for future



New services-based on revenue model



THANK YOU!
