

Schulich School of Business

Prepared for Charlebois Family Investments Inc. Owner's Meeting

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Context

- Charlebois Family Investments Inc. (CFI) had two investments: a shopping mall in the greater Portland area and another shopping mall in Connecticut.
 - Portland Mall:
 - Located in a lower-middle class community
 - Mortgage paid
 - Not many upgrades undertaken
 - No anchor store but has a large footprint grocery store
 - Some small stores are unable to renew lease
 - Connecticut Mall:
 - Located in a high-tech business and professional setting
 - Located in upper middle class community & potential senior community
 - Macy's and JC Penny are closing
 - Free parking being exploited by train commuters



Main Issue

The main issue is that CFI's operating model is outdated as they are relying on an old economic reality (currently affected by e-commerce).



Recommendation

Recommendation for Portland Mall

- Approach real estate developer with proposal to buy have of the property to develop discount store strip
- Approach Walmart with proposal to move into Portland Mall
 - Renovate the mall
- Contingent on previous steps: If previous proposals are not feasible develop discount stores under management of father's sister in law.

Recommendation for Connecticut Mall

- Attract fast food franchises and fine dining chains
- Restructure mall in order to create a food court/other spaces (including termination of existing leases with existing tenants)
- Create professional office space for tech companies
- Paid parking enforced for commuters

Context

Main Issue

Recommendation

Other
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Rationale

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Conclusion

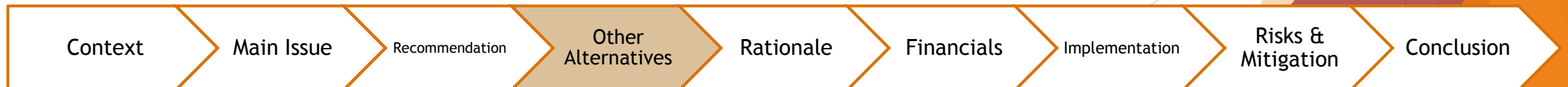
Other Alternatives

Other Alternative for Portland Mall

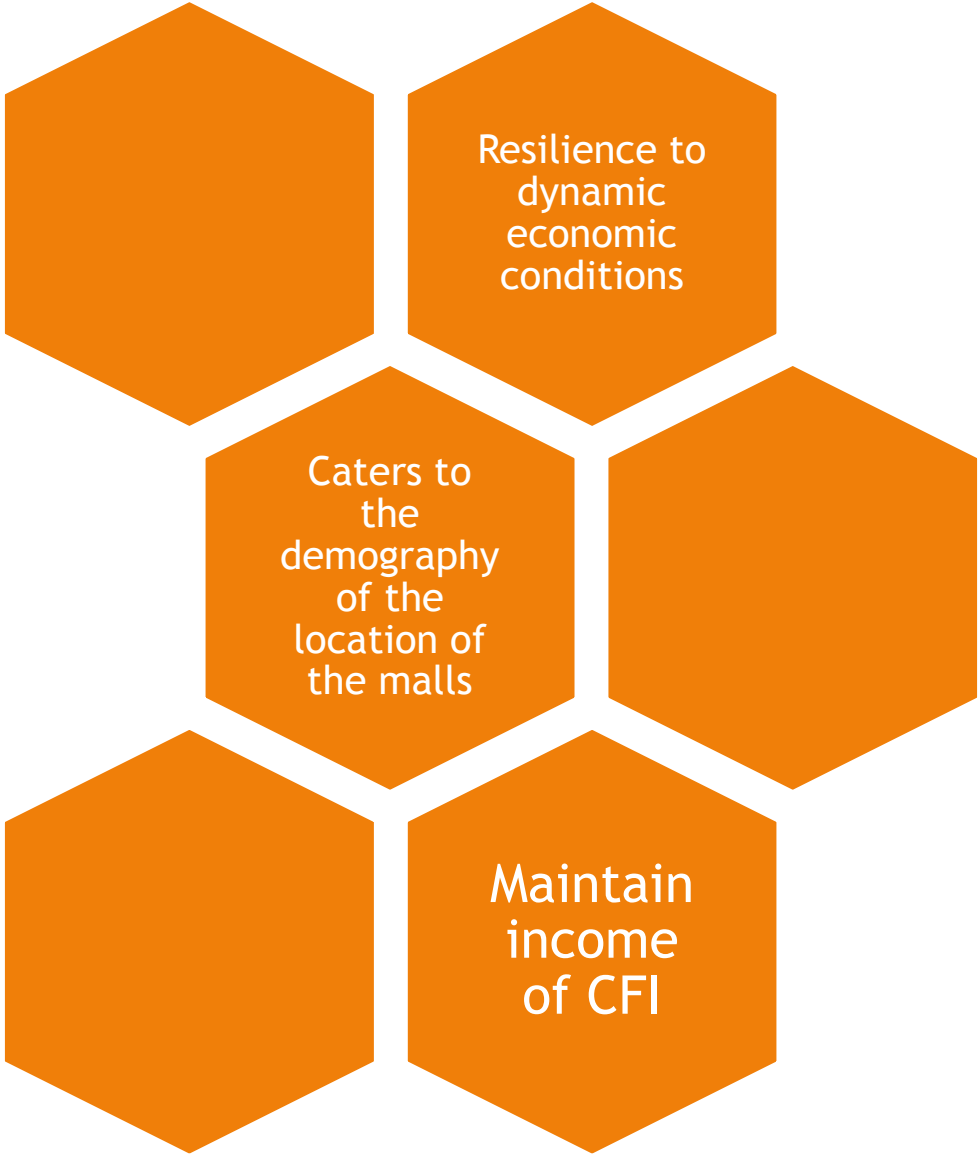
- Sell investment and reinvest into a more lucrative property

Other Alternative for Connecticut Mall

- Convert all space into office space for tech companies.



Rationale



Financial Analysis (Portland)

- **Portland Mall: renovations of 1 million**
- **Mortgage Free**
- **Depreciation is the only expense against the renovation**



Financial Analysis (Connecticut)

Connecticut Mall					
Rental Revenue:	2018	2019	2020	2021	2022
	Projections				
No. of Stores	89	89	89	89	89
Average Rent (\$) monthly	5000	10,000	10,500	11,025	11,576
Rental Months	12	8	12	12	12
Yearly Revenue (\$)	5,340,000	7,120,000	11,214,000	11,774,700	12,363,435



Financial Analysis (Connecticut)

Connecticut Mall					
Parking Revenue:	2018	2019	2020	2021	2022
	Projections				
Estimated Cars	100	100	100	100	100
Monthly Charge (\$)	120	120	132	145.2	159.72
Rental Months	128	12	12	12	12
Yearly Revenue (\$)	144,000	96,000	158,400	174,240	191,664



Financial Analysis (Connecticut)

Connecticut Mall					
Profit & Loss Statement	2018	2019	2020	2021	2022
	Amount in Million USD				
Revenue:					
- Rentals	5.34	7.12	11.21	11.77	12.36
- Parking	0.14	0.10	0.16	0.17	0.19
	5.48	7.22	11.37	11.95	12.56
	-	-	-	-	-
Less: Cost of Sales (20% of Sales)	1.10	1.44	2.27	2.39	2.51
Gross Profit	4.39	5.77	9.10	9.56	10.04
Expenses:					
Admin Staff Salaries	0.60	0.63	0.66	0.69	0.73
Lease Rentals	1.5	1.5	1.5	1.5	1.5
Other Operating Expenses (10% of Sales)	0.55	0.72	1.14	1.19	1.26
	-	-	-	-	-
	2.65	2.85	3.30	3.39	3.48
Net Profit	1.74	2.92	5.80	6.17	6.56

Implementation

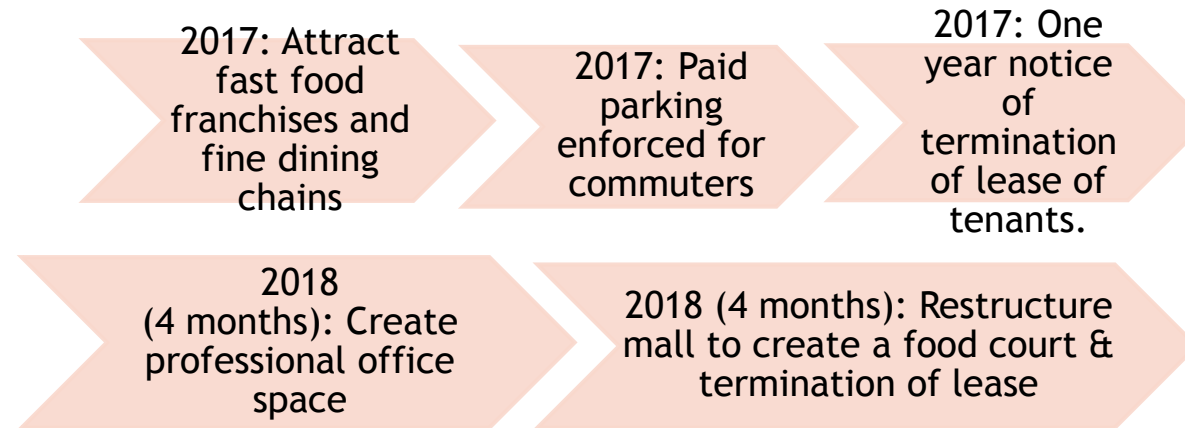


Cost: Contingent upon renovation (\$0.5 million)

Cost: Contingent upon previous step (\$1 million)



Implementation



Risks & Mitigation

Risk for Portland Mall
Recommendation:

Private investor is not inclined to invest

Capitalize father's sister in law's expertise to develop own discount retail business



Risks & Mitigation

Risk for Connecticut Mall Recommendation:

The lack of demand for tech office space

Attract other professional services such as medical and wellbeing services



Conclusion

The given strategy offsets the impact of e-commerce's dominance over retail space and provide continuous cash flow an revenue growth for our family business - providing a sustainable business model.

