



Luxembourg School of Finance Wealth Management Case Competition



Luxembourg 2016

This case was written by LSF Master students, used for the sole purpose of a student run- and organised case study competition. All pertinent names mentioned in this work are fictitious. Any resemblance to real persons, living or dead, as well as real companies, is purely coincidental.

© LSF CHALLENGE

TO ORDER COPIES OF THE **2016 LSF CASE COMPETITION**, SEE DETAILS ON BACK COVER. COPIES MAY NOT BE MADE WITHOUT PERMISSION FROM THE ORGANISING COMMITTEE OF THE LSF CHALLENGE.

RULES AND GUIDELINES

Each team has to provide one single merged PDF file (max. 20MB) containing the following:

1. Cover page with the name of your team, as well as the participants, your university, and your areas of study;
2. Your proposal of maximum 2,000 words;
3. An Executive Summary of maximum 1 page.

The deadline is **April 26th, 2016 at 23:59** (Luxembourg time). The PDF shall be uploaded via the web page:

<http://www.lsf-challenge.com/upload-proposal.html>

HISTORY

John Teller, of Belgian descent, and his wife Sophia, a native Luxembourger, live in a privately owned house in Luxembourg and have three children, two sons: Jonathan and Gaston, and one daughter: Chloé. Mr. and Mrs. Teller are both in their late sixties and they own and run a very successful chain of bakeries, 50 in total, within the Benelux region called “Boulangerie de Benelux”.

As for their children, Jonathan is a self-destructive but gifted painter while Chloé is a skilled surgeon working in Luxembourg. Jonathan and Chloé are both single, without any children.

Gaston is a young entrepreneur born in 1978 in Luxembourg. After successfully completing his studies in Lausanne, Gaston moved to Antwerp to pursue a career as a chef. After a few years of hard work, he started a small beer and burger joint in 2010, “The Burger Prince”, which became tremendously successful.

In late 2014, he opened three new Burger Prince restaurants in Belgium and he is now looking for expansion opportunities in Europe.

Gaston and his fiancé, Daphne, live in a rented apartment in Antwerp, and they plan to get married in autumn 2016.

Mr. and Mrs. Teller would like to continue to support their three children and slowly retire from their business. They have started thinking about the best way to go forward with this and felt that they are not able to do this.

RECENT OPPORTUNITY

Gaston is currently exploring various ways to finance this expansion. Mr. and Mrs. Teller are of course very proud of him and wait anxiously to see how Gaston will further develop his business.

Recently Mr. and Mrs. Teller received the following offers:

- ❖ Sell a 70% stake of their company to the private equity firm for €60 million.
- ❖ Sell the whole company to a competitor for €95 million.

The private equity firm has agreed to interfere as little as possible when it comes to the day-to-day operations of the firm. In fact they support the desire of Mr. and Mrs. Teller to gradually hand over the business to their children.

The parents would continue to sit on the board of the company, but would like to hand over the day-to-day operations to Mr. Beurre, their trusted collaborator, who joined them 15 years ago as an apprentice.

If they go through with the sale, Mr. and Mrs. Teller would like to donate a large part of the proceeds to their children to support their ambitions. While they do not worry about Gaston and Chloé, they fear that Jonathan might not cope well with it.

FAMILY OVERVIEW

You have been given the chance to structure the new wealth of the family.

The existing assets and liabilities of the family members are already well managed by a Luxembourgish private bank.

Mr. and Mrs Teller

- ❖ They have a low risk portfolio of €5 million plus a deposit of €500k cash
- ❖ They own real estate around Europe as well as two boats and a small polo team
- ❖ They have an annual life standard that amounts to €1.5 million (including housekeepers, polo grooms, and the remaining expenses)
- ❖ They support Chloé and Jonathan by paying for their needs, an amount of €500k coming from the annual dividend received

Chloé

- ❖ She does not have savings and she lives off her salary
- ❖ Every year she receives a net amount of €300K from her parents plus a salary of €120k
- ❖ She has a living standard of €420K per year

Jonathan

- ❖ Mr. and Mrs. Teller provide him with €200k that cover his life expenses (rent, housekeeper, and other expenses).
- ❖ He receives irregular money from the sale of some art pieces around €10k per year.

ADDITIONAL INFORMATION

Mr. and Mrs. Teller would like to receive advice regarding the optimal setup.

- ❖ In case they sell the company, the parents will stop supporting their children financially and instead divide the proceeds from the sale
- ❖ Mr. Teller knows that Chloé has no interest in finance and she is also not interested in learning it. Although she earns well, her lifestyle does not permit her to save much. Gaston thinks that a low risk investment portfolio would be best for his sister
- ❖ Jonathan seems to only care about his art and he has been an avid art collector since his childhood. Mr. and Mrs. Teller would like to invest some money into a specific structure that guarantees Jonathan a stable cash flow but at the same time they would like to actively support his art collector ambitions
- ❖ Mr. Teller and Gaston are concerned about the succession plan if the private equity-company is involved. Also, they are anxious about the exit-strategy and what this would mean for the management of the company
- ❖ Furthermore, Mr. Teller and Gaston are exploring the idea of combining the bakery and burger businesses. They are also open for other interesting propositions
- ❖ In view of his expansion plans, Gaston needs to structure his future company. He has heard of the many tools offered in Luxembourg, and several types of financial solutions
- ❖ Mr. Teller and Gaston have limited wealth-planning knowledge, and in light of the upcoming events, they have expressed interest to meet with multi family offices in Luxembourg. Jonathan and Gaston are aware that many of the above decisions will be taken in accord with all the family members, meeting June 21st

In order to prepare for that, they would like to have a proposed solution presented on May 31st.

YOUR CHALLENGE

You and your partners run a boutique multi family office in Luxembourg, and in view of the presented situation, you are asked to provide detailed solutions to the Teller family.

Take into account their current financial situation, their future needs and precautions to fund and enable their projects.

Keep in mind that your goal is to pitch- and ultimately win the client. Therefore a holistic and innovative approach is required.

Try to think out of the box to persuade the family.

APPENDIX A - FINANCIAL DATA Boulangerie de Benelux

in € million	Equity value	€40		
		2013	2014	2015
	Revenue	€60	€50	€55
	EBITDA	€12	€10	€11
	Net income	€6	€4	€5
	Dividends (after tax)	€3	€2	€2.5

Additional information

The dividend payout after tax is equal to 50% and it can be increased to 60%.

The dividend amount after tax is supposed to remain stable over the next years around €2.5 million even if the private equity-offer will be accepted.

- ❖ The Boulangerie de Benelux can afford to raise more debt (max €12 million) without any impact on the financial structure
- ❖ The CEO receives a net salary of €300k and the chairman receives a net salary of €200k
- ❖ Mr. Teller right now is the current chairman
- ❖ All the bakeries are owned by Boulangerie de Benelux

Gaston's needs and details

Gaston needs €15 million for the expansion of "The Burger Prince". He could raise the capital using his company structure located in Belgium for €2 million as debt for his project expansion.

- ❖ His future wife, Daphne, owns a house in Cannes, worth €2 million
- ❖ He receives €300k per year from the "The Burger Prince" as a net compound income (dividend and salary as CEO)
- ❖ His wife, Daphne, receives a net salary of €30k
- ❖ He and his wife have a living standard of €200k annual spending

APPENDIX B - POSSIBLE VEHICLES AND SOLUTIONS

Luxembourg: a leading financial centre
Model Tax Convention on Income and on Capital
Articles of the OECD Model Tax Convention
Luxembourg Life Assurance for International Investors
Why life assurances
SIF - Specialised Investment Funds
Luxembourg investment funds
Investment Funds in Luxembourg
UCITS - Luxembourg for Finance
Family Wealth Management Company
Soparfi - Luxembourg for Finance
The SOPARFI - Lux Global Trust Services
Taxation in Luxembourg
Corporate Pocket Tax Guide 2015 Luxembourg
Introducing the Luxembourg private foundation
Fondation de Luxembourg
Taxation in Belgium
Taxation and Investment in Belgium
Art Finance