



Sum-of-parts Investing: 1 Value Stock Set to Outperform

Description

BMTC Group ([TSX:GBT](#)) manages and operates one of the [largest furniture](#) and household and electronic appliance retail sales networks in Quebec. The company operates through three divisions including Ameublements Tanguay, Brault & Martineau and EconoMax. BMTC's sales and distribution network includes nine Brault & Martineau stores, nine Ameublements Tanguay stores, three liquidation centres and 11 EconoMax stores.

The company's network also includes two [distribution and administrative centres](#) in Montreal and Quebec City. The company delivers furniture exclusively through distribution centers. In 2004, BMTC's management made certain changes to the company's Montreal distribution center and relocated the company's distribution center in the Quebec City region in order to add 68,000 square feet, for a total of over 260,000 square feet store area.

Efficient store network

With respect to the Brault & Martineau and EconoMax divisions, all deliveries are carried out by subcontractors on an ad-hoc basis, which allows BMTC to meet customer needs more efficiently and economically. Ameublements Tanguay delivers the goods it sells as well as uses subcontractors on an ad-hoc basis. To that end, the division owns a fleet of delivery trucks but also uses outsourcing.

In the last few years, e-commerce has developed exponentially in Quebec, although a vast majority of the company's clients still wish to shop in BMTC's stores. Faced with this reality, the company developed a new innovative and state-of the-art in technology prototype Brault & Martineau store, where the web serves as gateway and an additional tool in order to complete sales. This offers clients a unique shopping experience which helps differentiate the company from competitors.

Strategic real estate sites

This new prototype store has been deployed throughout the company's network of stores. The company now plans to proceed with the construction of the new stores. Since this is a major

undertaking which is different from what was initially planned, the company is evaluating all real estate sites in order to determine the long term commercial viability and if these sites would allow for the reconstruction of the new prototype store.

Following this evaluation, the company concluded that certain stores were no longer located in an ideal area, also these real estate sites would not benefit from any additional investments. Hence, the company demonstrated agility by selling several stores at a premium to book value.

Store network improvements

Despite closing several stores, management believes that the company's current store network will be able to cover regions affected and therefore this should not affect the company's sales. The company continues the evaluation process for different sites as well as BMTC's existing stores to close locations or in certain cases proceed with the reconstruction of a new store based on BMTC's new prototype. The company anticipates that in the next few years it will incur costs related to the modification and improvement of BMTC's store network.

BMTC is re-evaluating the company's current real estate sites in order to offer the same experience to clients across the store network. Despite store closures, there is significant value in the company's real estate holdings which should be reflected in the stock price over the long term.

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