



assignment | challenge

Fritz Companies

For over a half a century, Fritz Companies, Inc. (acquired by United Parcel Services, “UPS”), has evolved from its heritage as a customs broker and freight forwarder into a leader in global integrated logistics.

During the mid-1990’s Fritz quadrupled in size through the strategic acquisition of competitors worldwide. This global expansion effort required Fritz to increase its real estate operations from 60 facilities in 1993 to over 480 locations worldwide, by the end of the decade. However, Fritz continued to require capital for further strategic acquisitions and expansion of core operations. As a result, specific requirements were established for the occupancy and financing of corporate real estate, including:

- Minimize total occupancy costs as a percentage of revenues
- Keep corporate real estate “off-balance sheet”
- Allow flexibility in real estate, (i.e. terms, expansion)
- Minimize capital requirements and maximize return on capital
- Reduce “non-cash” earnings impact

On behalf of Fritz companies, members of the IRES team reviewed and analyzed the impact of monetizing certain core distribution facilities for purposes of generating cash for acquisitions and expansions, while adhering to the established corporate real estate policies.

outcome | results

IRES professionals assisted Fritz in structuring and executing the sale/leaseback of ten office and distribution facilities through a pooled-asset, long-term credit enhanced lease structure. The sale/leaseback financing generated over \$59.7 million in net proceeds to Fritz. Through this structure, the following benefits were provided to the client:

- A reduction of more than 4 percent on its pooled facilities CAP rate
- Increased earnings enhancement and performance ratios based on financing which met both SFAS 13 and 98 requirements for operating lease treatment
- Long-term operational control of the facilities through an absolute net lease agreement
- Control of expansion rights on adjacent undeveloped land parcels

QUICK FACTS

STRUCTURED FINANCE Portfolio Sale/Leaseback

10 Properties Nationwide
\$59,700,000
1,174,000 square feet

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CLIENT REFERENCE

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