

Strictly private and confidential

Information memorandum


Diamond Cars

May 2023

Introduction

Scope of the document

- The purpose of the present Document is to provide a detailed analysis of Diamond Cars, analyzing its business model, strategic positioning and financial highlights.
- The Document highlights the Company's competitive position by describing the market in terms of main trends and competitors.
- Moreover the Document provides a specific focus on current management strategies aimed at increasing the market penetration and at improving the brand recognition assuming a sustainable growth path.
- In the final section the Company Business plan for the period 2023 – 2027 is reported to disclose a synthesis of the expected results and the growth perspectives.



To show evaluation elements regarding
Diamond Cars to potential financial and industrial Partners

Introduction

SUMMARY

The document is a confidential information memorandum that provides a detailed analysis of Diamond Cars, a car rental company focusing on the Premium and Luxury segments for medium to high-end vehicles targeted towards corporate companies and individuals with medium to high incomes. The business plan includes flexible rental formulas and a 36-month long-term rental with the option of redeeming or replacing the car at the end of the rental period. The marketing strategy includes the creation of a website, promotion on social media, advertising in car magazines, and participation in car trade fairs and events. The document provides a SWOT analysis and financial data, along with a discounted Cash Flow and Weighted Average Cost of Capital sensitivity evaluation. Overall, the document aims to show potential financial and industrial partners the evaluation elements regarding Diamond Cars.

The document has been deliberately minimised to meet our client's confidentiality obligations

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Strategy

Marketing strategy

- Various marketing strategies can be used to promote the new company. Below are some points to be developed depending on the context in which you plan to operate:
- Creation of a company website with detailed information on the services offered and cars available;
- Promotion on social media and other online channels
- Advertising in car magazines
- Participation in car trade fairs and events.
- In the promotion phase, emphasise the offer of low-emission technology cars.

Market Analysis

The Car Rental Company will focus on two categories of cars,
1) on the 'Premium' segment, of medium/high-end cars;
2) on the "Luxury" segment

The target customers are:

(a) Corporate. Companies that feed their own fleets.

b) Individuals, with medium/high income, for daily renting, on a "long term" basis, for colours that prefer to use "all-inclusive" rental, instead of buying the car.

The business will focus on the purchase of cars sold by the chosen car manufacturers, with a 13% discount, plus an average advertising contribution of EUR 1,660 per car, conditional on 6 months' ownership and a minimum mileage of 20,000 km, which will then be rented to private individuals and/or companies, using the above-mentioned rental formulas.

The pricing of the Flexy formula has been defined and verified by comparison with competitors already present in the Italian market, based on time duration with monthly and daily splitting. The minimum rental period for the 'Long-Term' formula will be 36 months, with a maximum of 60,000 km. While in the case of the 'Flexy' formula, the 'Long-Term' rental may be terminated before 36 months without payment of a penalty.

The customer will be given the option of redeeming the car at the end of the rental period or replacing it with the same upgraded model or another model of his choice.

Market Analysis: Comparables

To compare our prices with those of our competitors, we relied on the websites of the major rental companies in Italy:

- ✓ 1. Avis and Hertz for daily rentals;
- ✓ 2. Autovia and Rent4You for long-term rental

The companies were selected according to the Forbes ranking at the following web address:
<https://www.forbes.com/advisor/it/noleggio-a-lungo-termine/migliore-noleggio-a-lungo-termine/>

It should be noted that competitors usually do not always provide a comprehensive service comparable to that assumed for Diamond Cars, such as Casco insurance or the long-term rental period of 36 months (they usually offer a minimum of 48). This makes the Diamond Cars proposal more competitive.

S.W.O.T.

Strengths

- ✓ Possibility of buying cars at discounted prices
- ✓ Turnkey service offer, with Road Tax, and Casco Insurance, included in the monthly fee.
- ✓ A high-standard fleet of cars from prestigious German automotive brands
- ✓ Flexible rental formula
- ✓ Possibility of redeeming the car at the end of the rental period

Opportunities

- ✓ Constantly growing market.
- ✓ Possibility of expansion at national and European level.

Weaknesses

- ✓ Strong competition in the “short-term” car rental market in Italy.
- ✓ Limited initial financing capacity.
- ✓ Likely strong depreciation of the commercial value of used cars, especially for cars with combustion engines, following EU regulations.

Threats

- ✓ Increase in car purchase costs.
- ✓ Limited incentives for buying cars with low-emission technology.
- ✓ Possible fluctuations in the car rental market.

Business Plan: Main assumptions

TAX RATES

- ✓ Car depreciation 25% p.y.(Italian fiscal law: cfr articolo 102, comma 7 del Tuir)
- ✓ IRAP tax rate: 3,9%, on Revenues basis
- ✓ IRES tax rate: 3,9%, on Earnings basis
- ✓ IRPEF tax rates 2023:
 - 23% for revenues until 15.000 euros,
 -
 - 25% for incomes between 15.000 and 28.000 euros,
 -
 - 35% for incomes between 28.000 and 50.000 euro
 -
 - 43% for income over 50.000 euros.

Business Plan: Main assumptions

PAYMENT FEES

In Italy, the payment commissions for the main credit cards that a seller must bear vary depending on the issuer of the card and the type of transaction made. However, below are the average commissions for the most common credit cards:

Visa and Mastercard: usually 2-3% for physical card transactions and 1.5-2% for online transactions;

- ✓ American Express: usually 3-4% for physical card transactions and 2-3% for online transactions;
- ✓ Diners Club: usually 2-3% for physical card transactions and 1.5-2% for online transactions.

It's important to note that these commissions can vary depending on the negotiation between the seller and the card issuer. Additionally, some card issuers offer discount programs for sellers who accept payments with their cards.

Business Plan: Main assumptions

CARS DEPRECIATION

- ✓ A new car tends to lose around 25% of its initial value after 1 year. New cars continue to lose around 10-15% of their value each year after purchase
- ✓ Car prices are extracted from the manufacturers' new car price lists and depreciated according to the table below:

New car depreciation table - estimated average values (source: Rent&Drive (1))

Time Span	Depreciaton	Residual Value
1 Year	25%	75%
2 Years	40%	60%
3 Years	50%	50%
4 Years	63%	37%
5 Years	71%	29%

1) https://rentedrive.it/blog/tabella-svalutazione-auto-quantit-soldi-perdi-ogni-anno/#Cose_la_svalutazione_dellauto

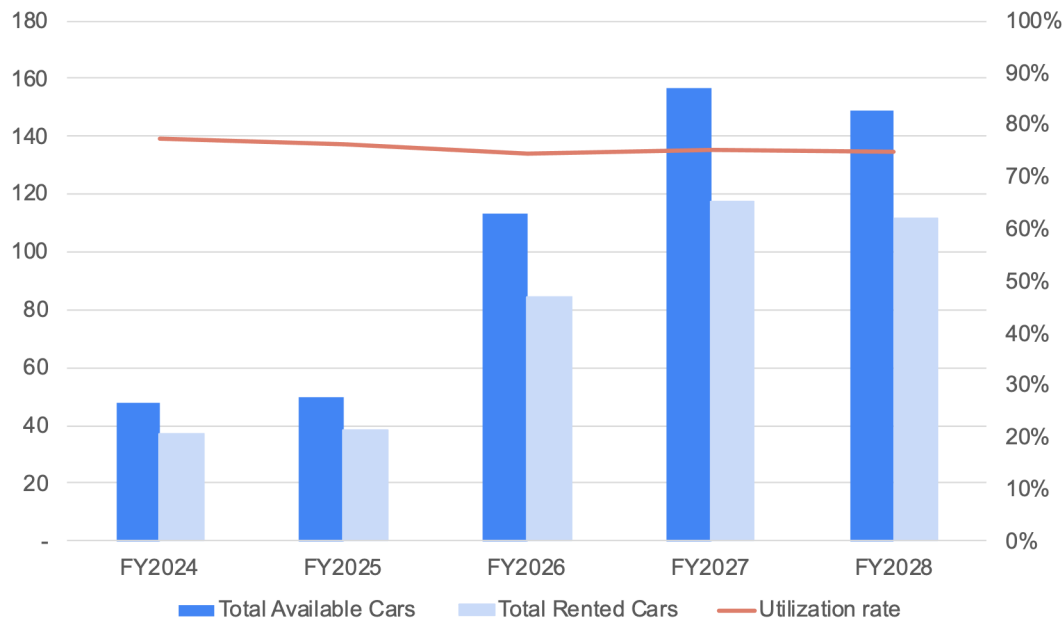
Business Plan: Snapshots of Financial Data and Metrics

DASHBOARD

	Y1	Y2	Y3	Y4	Y5
REVENUE	1.165.167 €	1.249.307 €	2.311.552 €	3.824.703 €	3.820.409 €
EBITDA %	45%	47%	65%	74%	74%
EBITDA	521.159 €	593.008 €	1.503.238 €	2.845.085 €	2.843.119 €
Other Depreciation	-399.387 €	-413.738 €	-1.049.819 €	-1.513.915 €	-1.443.754 €
Interest expense	-83.632 €	-73.182 €	-387.916 €	-354.366 €	-93.623 €
Taxes	-54.595 €	-74.184 €	-105.871 €	-383.597 €	-462.374 €
NET INCOME	-16.455 €	31.904 €	-40.368 €	593.208 €	843.368 €
FUNDING EQUITY	100.000 €	0 €	0 €	0 €	0 €
DEBT VS FACTORING	500.000 €	500.000 €	500.000 €	500.000 €	500.000 €
DEBT VS OTHERS	978.989 €	744.245 €	6.293.131 €	2.752.808 €	0 €
Investing cash (in cars)	-1.597.549 €	-35.580 €	-2.552.593 €	-2.950.415 €	311.308 €
OPERATIONAL CASH FLOW	576.502 €	399.449 €	2.120.535 €	1.399.221 €	1.736.561 €
Retained Earnings	-16.455 €	15.449 €	-24.920 €	568.289 €	1.411.657 €
CARS n. at the end of year	48	50	113	162	148
Terminal value	5.603.672 €				
WACC	13,0%				
Long term growth rate	2,5%				

Cars utilization rate

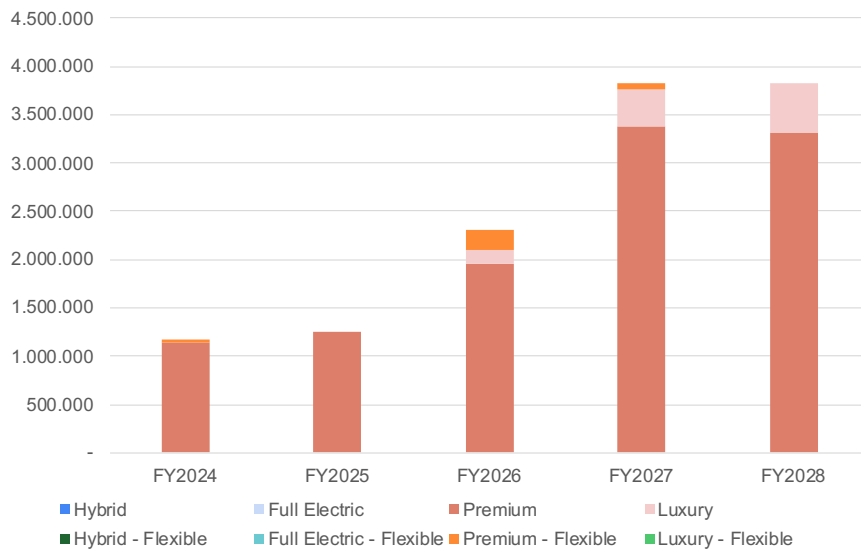
Total Available Cars	[#]	48	50	113	157	149
Total Rented Cars	[#]	37	38	84	118	112
Utilization rate	[%]	77%	76%	75%	75%	75%



Revenue by product

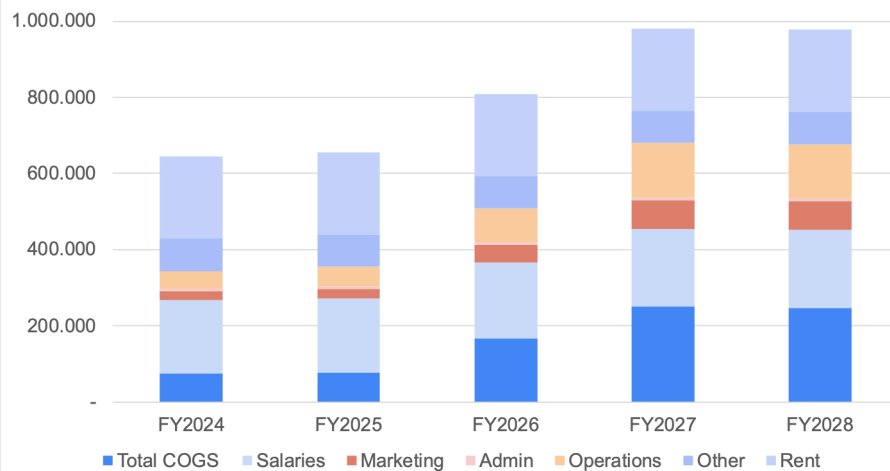
		FY2024	FY2025	FY2026	FY2027	FY2028
Hybrid	[EUR]	-	-	-	-	-
Full Electric	[EUR]	-	-	-	-	-
Premium	[EUR]	1.142.808	1.249.307	1.955.199	3.385.689	3.311.550
Luxury	[EUR]	-	-	143.782	372.306	508.859
	[EUR]	-	-	-	-	-
Hybrid - Flexible	[EUR]	-	-	-	-	-
Full Electric - Flexible	[EUR]	-	-	-	-	-
Premium - Flexible	[EUR]	22.359	-	212.571	66.708	-
Luxury - Flexible	[EUR]	-	-	-	-	-
	[EUR]	-	-	-	-	-
Revenue	[EUR]	1.165.167	1.249.307	2.311.552	3.824.703	3.820.409

Revenue by product



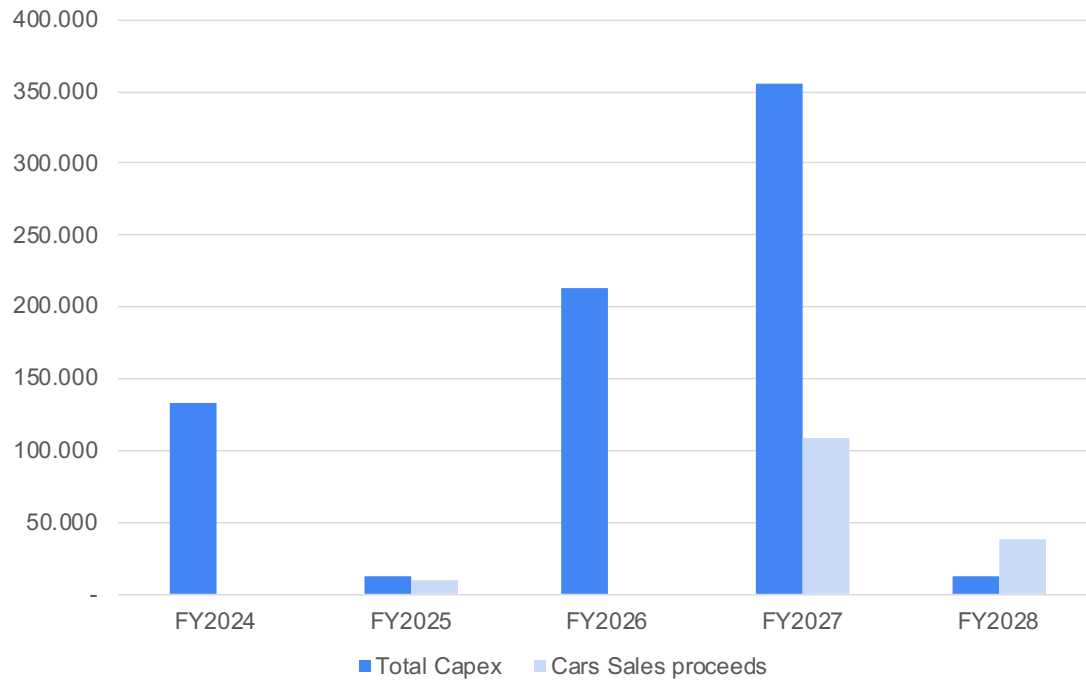
Expenses

		FY2024	FY2025	FY2026	FY2027	FY2028
Total COGS	[EUR]	74.593	77.622	167.384	251.596	247.484
Salaries	[EUR]	192.441	194.365	198.195	202.063	204.084
Marketing	[EUR]	23.303	24.986	46.231	76.494	76.408
Admin	[EUR]	6.000	6.000	6.000	6.000	6.000
Operations	[EUR]	46.671	53.326	90.504	143.465	143.314
Other	[EUR]	85.000	84.000	84.000	84.000	84.000
Rent	[EUR]	216.000	216.000	216.000	216.000	216.000
Total expenses	[EUR]	644.008	656.299	808.314	979.618	977.290
Total COGS	[%]	12%	12%	21%	26%	25%
Salaries	[%]	30%	30%	25%	21%	21%
Marketing	[%]	4%	4%	6%	8%	8%
Admin	[%]	1%	1%	1%	1%	1%
Operations	[%]	7%	8%	11%	15%	15%
Other	[%]	13%	13%	10%	9%	9%
Rent	[%]	34%	33%	27%	22%	22%
Total expenses	[%]	100%	100%	100%	100%	100%



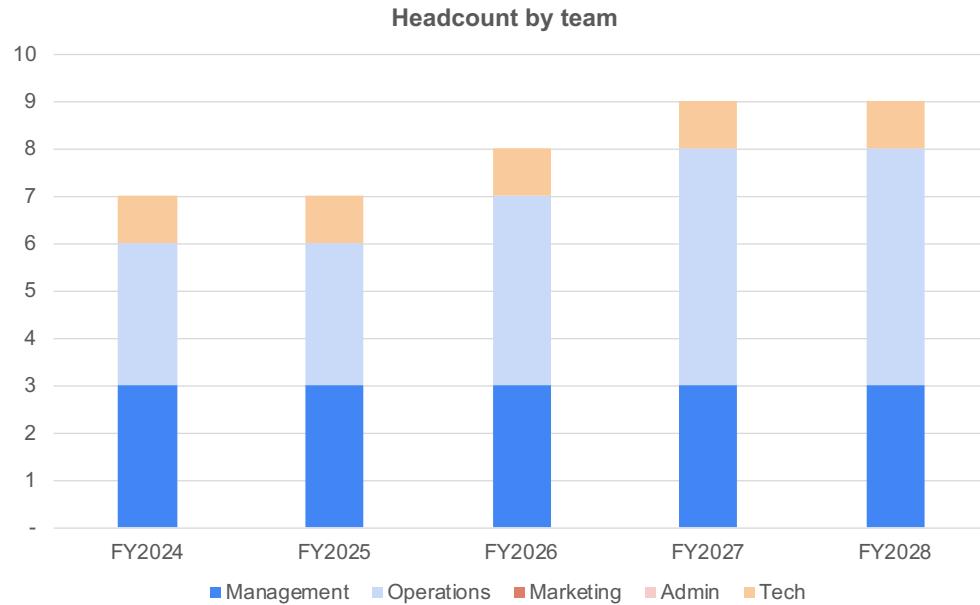
Capex (cars)

		FY2024	FY2025	FY2026	FY2027	FY2028
Total Capex	[EUR]	133.129	12.415	212.716	355.097	12.593
Cars Sales proceeds	[EUR]	-	9.450	-	109.229	38.535



Headcount

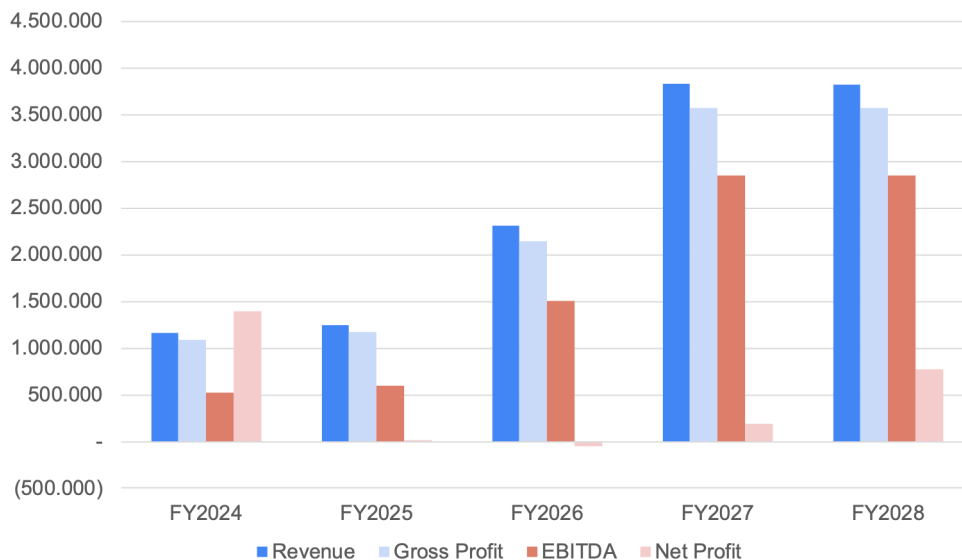
		FY2024	FY2025	FY2026	FY2027	FY2028
Management	[#]	3	3	3	3	3
Operations	[#]	3	3	4	5	5
Marketing	[#]	-	-	-	-	-
Admin	[#]	-	-	-	-	-
Tech	[#]	1	1	1	1	1
Headcount	[#]	7	7	8	9	9



Key Financials

		FY2024	FY2025	FY2026	FY2027	FY2028
Revenue	[EUR]	1.165.167	1.249.307	2.311.552	3.824.703	3.820.409
Gross Profit	[EUR]	1.090.574	1.171.685	2.144.168	3.573.107	3.572.925
EBITDA	[EUR]	521.159	593.008	1.503.238	2.845.085	2.843.119
Net Profit	[EUR]	1.391.605	10.917	(48.607)	192.346	772.806
Gross Margin	[%]	94%	94%	93%	93%	94%
EBITDA Margin	[%]	45%	47%	65%	74%	74%
Net Profit Margin	[%]	n.m.	1%	(2)%	5%	20%

Key financials



Financials: Balance Sheets

		<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>
Cash and cash equivalents	[EUR]	557.942	687.068	5.803.897	712.380	7.441
Inventories	[EUR]	-	-	-	-	-
Accounts receivables	[EUR]	-	-	-	-	-
Current Assets	[EUR]	557.942	687.068	5.803.897	712.380	7.441
Property and equipment	[EUR]	1.198.162	820.004	2.322.778	3.759.278	2.004.216
Deferred Taxes Assets	[EUR]	2.227	1.471	163	-	-
Total Assets	[EUR]	1.758.331	1.508.543	8.126.838	4.471.658	2.011.657
Accounts Payable	[EUR]	195.798	148.849	1.258.626	550.562	-
Current Liabilities	[EUR]	195.798	148.849	1.258.626	550.562	-
Equity	[EUR]	100.000	100.000	100.000	100.000	100.000
Debt	[EUR]	1.478.989	1.244.245	6.793.131	3.252.808	500.000
Retained Earnings	[EUR]	(16.455)	15.449	(24.920)	568.289	1.411.657
Total Liabilities and Equity	[EUR]	1.758.331	1.508.543	8.126.838	4.471.658	2.011.657

Financials: Profit & Loss

		FY2024	FY2025	FY2026	FY2027	FY2028
Revenue	[EUR]	1.165.167	1.249.307	2.311.552	3.824.703	3.820.409
Maintenance, cleaning, other	[EUR]	(51.289)	(52.635)	(121.153)	(175.102)	(171.076)
Payment fees	[EUR]	(23.303)	(24.986)	(46.231)	(76.494)	(76.408)
Total COGS	[EUR]	(74.593)	(77.622)	(167.384)	(251.596)	(247.484)
Gross Profit	[EUR]	1.090.574	1.171.685	2.144.168	3.573.107	3.572.925
% Gross Margin	[%]	93,6%	93,8%	92,8%	93,4%	93,5%
Salaries	[EUR]	(192.441)	(194.365)	(198.195)	(202.063)	(204.084)
Marketing	[EUR]	(23.303)	(24.986)	(46.231)	(76.494)	(76.408)
Admin	[EUR]	(6.000)	(6.000)	(6.000)	(6.000)	(6.000)
Operations	[EUR]	(46.671)	(53.326)	(90.504)	(143.465)	(143.314)
Other	[EUR]	(85.000)	(84.000)	(84.000)	(84.000)	(84.000)
Rent	[EUR]	(216.000)	(216.000)	(216.000)	(216.000)	(216.000)
Total operating expenses	[EUR]	(569.415)	(578.677)	(640.930)	(728.022)	(729.806)
EBITDA	[EUR]	521.159	593.008	1.503.238	2.845.085	2.843.119
% Margin	[%]	44,7%	47,5%	65,0%	74,4%	74,4%
Other Depreciation	[EUR]	(399.387)	(413.738)	(1.049.819)	(1.513.915)	(1.443.754)
Operating Profit	[EUR]	121.772	179.270	453.419	1.331.170	1.399.365
% Margin	[%]	10,5%	14,3%	19,6%	34,8%	36,6%
Interest expense	[EUR]	(83.632)	(73.182)	(387.916)	(354.366)	(93.623)
Earnings Before Taxes	[EUR]	38.140	106.088	65.503	976.805	1.305.742
% Margin	[%]	3,3%	8,5%	2,8%	25,5%	34,2%
Corporate taxes	[EUR]	(54.595)	(74.184)	(105.871)	(383.597)	(462.374)
Net Income	[EUR]	(16.455)	31.904	(40.368)	593.208	843.368
% Margin	[%]	(1,4)%	2,6%	(1,7)%	15,5%	22,1%

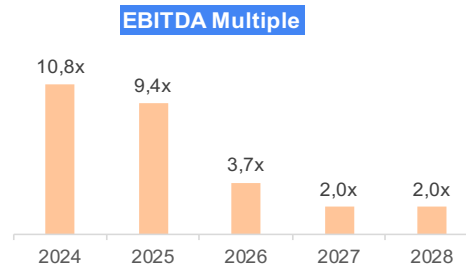
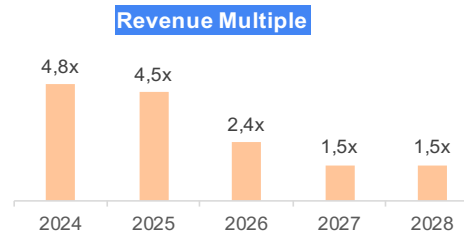
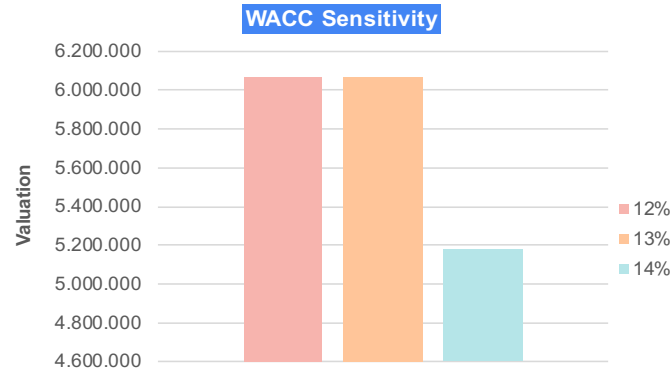
Financials: Cash Flow

Cash, beginning of period	[EUR]	100.000	557.942	687.068	5.803.897	712.380
Net income	[EUR]	(16.455)	31.904	(40.368)	593.208	843.368
<u>Adjustments to net income</u>						
Depreciation and Amortization	[EUR]	399.387	413.738	1.049.819	1.513.915	1.443.754
Deferred income taxes	[EUR]	(2.227)	757	1.308	163	-
<u>Changes in operating assets and liabilities</u>						
Inventories	[EUR]	-	-	-	-	-
Accounts receivable	[EUR]	-	-	-	-	-
Accounts payable	[EUR]	195.798	(46.949)	1.109.777	(708.065)	(550.562)
Operating cash	[EUR]	576.502	399.449	2.120.535	1.399.221	1.736.561
Capex	[EUR]	(1.597.549)	(148.980)	(2.552.593)	(4.261.165)	(151.117)
Car sale proceeds	[EUR]	-	113.400	-	1.310.750	462.425
Investing cash	[EUR]	(1.597.549)	(35.580)	(2.552.593)	(2.950.415)	311.308
Debt drawdown	[EUR]	1.770.039	119.184	6.842.074	3.408.932	120.894
Debt repayment	[EUR]	(291.051)	(353.927)	(1.293.188)	(6.949.255)	(2.873.702)
Equity issuance	[EUR]	-	-	-	-	-
Financing cash	[EUR]	1.478.989	(234.743)	5.548.886	(3.540.323)	(2.752.808)
Cash increase / (decrease)	[EUR]	457.942	129.126	5.116.829	(5.091.517)	(704.939)
Cash, end of period	[EUR]	557.942	687.068	5.803.897	712.380	7.441

Evaluation – Discounted CF and WACC Sensitivity

Assumptions									
WACC	13,0%	The weighted cost of capital (discount rate) investors use to discount future cash flows							
Long term growth rate	2,5%	Growth rate investors use to calculate the Terminal value below							
Discounted Cash Flow Valuation									
		Forecast					Extrapolation		
		2024	2025	2026	2027	2028	2029	2030	2031
Revenue	[EUR]	1.165.167	1.249.307	2.311.552	3.824.703	3.820.409	3.818.264	3.817.193	3.816.657
% growth	[%]		7%	85%	65%	(0)%	(0)%	(0)%	(0)%
EBITDA	[EUR]	521.159	593.008	1.503.238	2.845.085	2.843.119	2.841.523	2.840.726	2.840.327
% margin	[%]	45%	47%	65%	74%	74%	74%	74%	74%
Operating Profit	[EUR]	121.772	179.270	453.419	1.331.170	1.399.365	1.398.579	1.398.187	1.397.991
% margin	[%]	10%	14%	20%	35%	37%	37%	37%	37%
Less Adjusted taxes*	[EUR]	(29.225)	(43.025)	(108.821)	(319.481)	(335.848)	(335.659)	(335.565)	(335.518)
Net Operating Profit After Tax (NOPAT)	[EUR]	92.547	136.245	344.599	1.011.690	1.063.517	1.062.920	1.062.622	1.062.473
Adjustments for non-cash charges:									
(+) D&A	[EUR]	399.387	413.738	1.049.819	1.513.915	1.443.754	1.442.944	1.442.539	1.442.336
(+/-) Changes in Working Capital	[EUR]	195.798	(46.949)	1.109.777	(708.065)	(550.561,6)	(550.253)	(550.098)	(550.021)
(-) Capital Expenditures (Capex)	[EUR]	(1.597.549)	(148.980)	(2.552.593)	(4.261.165)	(151.117)	(580.760)	(580.760)	(580.760)
Unlevered Free Cash Flow (UFCF)	[EUR]	(909.817)	354.054	(48.398)	(2.443.625)	1.805.593	1.374.851	1.374.302	1.374.028
Present Value of UFCF	[EUR]	(805.148)	277.277	(33.542)	(1.498.721)	980.004	660.367	584.162	516.854
Terminal value	[EUR]								4.922.421
(+) Sum of PV of UFCFs	[EUR]	681.251							
(+) PV of Terminal Value	[EUR]	4.922.421							
Implied Valuation today	[EUR]	5.603.672							
Implied Revenue multiple	[x]	4,8x	4,5x	2,4x	1,5x	1,5x			
Implied EBITDA multiple	[x]	10,8x	9,4x	3,7x	2,0x	2,0x			
* adjusted for interest expenses									

Evaluation – Discounted CF and WACC Sensitivity



New Horizons

TRENDING OF THE CAR MARKET IN EUROPE

In Italy, and other European countries, the market trend is growth of rental cars. Already in Italy, one in three cars is leased. In addition, the market push to green and technological causes a change in the car fleet with a trend to change cars , from thermal combustion to electric and hybrid. It is believed that all this can bring a benefit to the company in the medium and long term if a green tech line of cars is placed side by side with traditional, premium and luxury cars.