

01 June 2010

RIO Prestige Performance Fund

The main holding of the fund since the fund's inception has been RIO Prestige Performance UK Ltd, below is an update on the company. A statistical report on the fund will follow later this week with a main market comparison to emphasize points raised in report to follow.

RIO Prestige Performance UK Ltd

Franchising

The future looks brighter now as our past efforts begin to come to fruition. We are now entering the summer "high season" (the prime time for this business) As such it is beginning to turn positive, with new enquires coming in every week on RIO franchising, the efforts and expenditure put in over the years in building the brand will ultimately lead to franchise sales.

The feasibility stage through promoting franchises in the low season is now moving encouragingly towards positive results now that the prime time of business is approaching (summer season). We are now benefitting from the face to face meetings with interested parties held during January 2010. Of the four most suitably qualified, only two had the financial backing required to establish a branch office of RIO Prestige and become a franchise license holder. It requires an initial investment of three hundred and fifty thousand to purchase vehicles, then thirty thousand to become operational.

Today with little finance available it is harder to obtain capital than previously, which is the main reason for the lead in time to secure a first franchise license sale. However over twenty appointments have already been arranged for the end of June this year. Two of the potential franchisees in the UK are from the car hire industry, and one of the individuals already has three super cars that he wants to do something with. As important, his cars fit the profile, being less than two years old and current models.

Finally, the banks are beginning to open their coffers and that will also improve prospects. RIO could have secured three franchises already since, out of the fifteen people interviewed, three were more than capable with incredible credentials and motor industry experience. The problem was capital shortage; they had the money to buy franchise and were willing to go ahead but banks were unwilling to provide finance. I myself had four conversations with one such individual who had raised two hundred thousand from remortgaging his home; I had to make it clear that it was not going to be enough. He is now seeking a partner to take the RIO franchise and I will keep you updated on this.

New staff hired in January.

During my trip to the UK in January I hired Phil Wardal, a veteran of motor sport with impeccable motor industry contacts. With the RIO pedigree this promises to be a good recipe for success.

Phil has been a Director of several companies in the past, one of which is a motor events provider in England. Under his direction this company built up its annual turnover from one million to over seven million Sterling per annum.

He has already signed two contracts with Bruntingthorpe racing circuit to host several RIO Prestige events this year. At my bequest he then met with Virgin during April with a view to them promoting/marketing RIO events; this is ongoing. But perhaps the icing on the cake was the facts that on his own initiative he approached and met with officials of buy a gift, a far larger marketing events source for RIO products. Even better is the news that he has just returned from a second meeting with the parent company (smartbox) who have a combined turnover of around fifty million Euros. The formal discussion took place in Paris, France last Wednesday, they are very interested! Phil feels that a deal is imminent.

Smartbox felt they could generate very substantial business for RIO's initiative venue, there only concerned is our ability to handle the volume generated though there international marketing. Basically they intimated they wanted sole agent status as they were convinced that they could fill all five venues.

Competition

The super car hire market grew to a peak in 2008 and the competition grew with it, from a handful of companies providing this service to over 50 at its peak. Today the market if anything has expanded due to the financial crisis and shortage of financing (difficult to buy a super car then hire it), but now there is almost no competition due to the large demise of less resilient companies than RIO.

A Brand with a real pedigree

RIO Prestige still remains one of the strongest and most respected brands in the industry and is in prime position for franchising, and the company is being approached almost every month by the UK media touting for newsworthy RIO excitement. They have been well weaned on its benefits! (RIO events sell magazines and get new magazines noticed).

Interest is shown from Asia!

Franchising interest came in from Singapore. I personally responded to this in March and had three meetings over that month with the interested party. This has led to two further approaches from separate individuals in Singapore and further ongoing discussion. There would definitely appear to be a market for a franchisee in Singapore?

I have also secured exposure (in the form of editorial) in an up market publication which is circulated in Jakarta, Bali, Singapore and Hong Kong.

William Gray
Executive chairman
RIO Club