

NA. 44,

Pýtt úr ensku:

(Merki) Damas
THE ART OF BEAUTY
síðan 1907

FJÁRFESTINGASNIÐ

Fjárfestingarfélag	Dagsetning	September 2008
Aurum Holdings Ltd	Tegund viðskipta	Hlutakaup
Núverandi hluthafar:		Nýtt eigið fé
BG Holding ehf 41,87%	Upphæð fjárfestingar	USD 65-70
Fons 25,71%		Milljónir
Jurek Piasecki 10,56%	Hlutur Damas	30%
Stjórn 11,20%		
Aðrir 10,66%		

A. LÝSING Á STARFSEMI

Aurum Holdings Limited („Félagið“) fæst einkum við smásölu á skartgripum og úrum í Bretlandi undir virtum merkjum Goldsmiths (GS), Mappin & Webb (MW), Watches of Switzerland (WOS) og My Diamonds.

Félagið með núverandi formi og merkjum hefur fært út kvíarnar með allnokkrum kaupum undanfarinn áratug.

Félagið rekur nú 183 smásöluverslanir á Bretlandi (GS-153, MW-17 og WOS -13).
Nýjustu tölur verða uppfærðar.

B. VIÐSKIPTI

Með fyrirhuguðum viðskiptum er lagt til að Damas LLC (Damas) kaupi 18% hlut í félaginu og verði áskrifandi að 17% nýrra hlutabréfa sem boðin verða til sölu án tafa á bráðabirgðaheildarverðinu 65-70 milljónir USD. Hlutur Damas eftir ofangreind kaup verður 30% af félaginu.

C. MAT

Bókfært virði hlutafjár í lok janúar 2008 hefur verið áætlað GBP 47 milljónir. Á grundvelli DCF aðferðar miðað við margfeldi af EBITDA, hafa eftirfarandi gildi verið reiknuð.

STAÐUR OG DAGS.: *Reykjavík, 25.11.13*
PÝÐANDI: ELLEN INGVADÓTTIR

DÓMTÜLKUR OG
LÖGG. SKJALAPÝÐANDI
FJÖLDI BLAÐS.: *5*

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EBIDTA-margfeldisaðferð	
Fjárhæðir í GBP – '000	
Veginn meðalfjármagnskostnaður	11,6%
Nettóvirði frjáls sjóðsstreymis	60,634,6
Samningsmargfeldi (exit multiple)	7.0x
Lokavirði	208,131.27
Núvirði lokavirðis	120,469.30
Lokavirði sem % af heildarvirði félags	66,52%
Heildarvirði félags	£181,103.9
Frádrægið: Nettóskuldir	(74,123.0)
Eiginfjárvirði	£106,980.9
Kaupstig fyrir Damas	
Eiginfjárvirði skv. ofangreindri aðferð	
£106,981	
1. stig:	
Kaup á hlutum núverandi hluthafa	18% £19,257
2. stig:	
Ný hlutabréf gefin út á Damas	£18,339
Heildarfjárfesting Damas	£37,596
Heildarfjárfesting Damas í USD (@1.8)	\$67,672
Nýtt hlutafé félagsins	£125,320
Fjárfesting Damas	£37,596
Hlutur Damas í félaginu	30%

Fjármálaatriði

Efnahagsreikningur –útdráttur **Fjárhæð í GBP '000 Heimild: Áætlanir)**

Upplýs.	Jan-07	Jan-08	Jul-08	Jan-09	Jan-10	Jan-11	Jan-12	Jan-13
Viðskiptavild		79,971	79,971	79,971	79,971	79,971	79,971	79,971
Fastafjármunir		19,324	20,603	22,668	33,176	35,895	36,080	35,534
Veltufjármunir		119,984	128,179	117,286	118,744	121,495	123,719	126,069
Skammtímaskuldir		(90,618)	(82,567)	(86,650)	(85,379)	(86,546)	(87,409)	(89,288)
Nettó veltufjármunir		29,366	45,612	30,636	33,365	34,949	36,310	36,781
Eignir alls		128,661	146,186	133,275	146,512	150,815	152,361	152,286
Nettóskuldir		81,671	105,808	82,159	72,029	62,953	46,297	27,868
Eigið fé								
Hlutafé (með yfirverði)		71,908	74,849	71,908	87,908	87,908	87,908	87,908

Strlg/Frs 17		(1,542)		35				
Tap frá fyrra ári		(23,376)	(24,919)	(24,918)	(20,827)	(13,425)	(46)	18,156
EBT hlutur			(2,910)					
Hagnaður yfirstandandi árs			(6,642)	4,091	7,402	13,379	18,202	18,354
Eigið fé alls		46,990	40,378	51,116	74,483	87,862	106,064	124,418
Eigið fé og skuldir alls		128,661	146,186	133,275	146,512	150,815	152,361	152,286

Spárnar eru samkvæmt stjórn félagsins. Vegna þessa mats höfum við lækkað söluspár um 1% og fengið út ný EBIDTA-gildir.

D. AF HVERJU FJÁRFESTA?

- Vaxtaráætlun:
- Forgangsbirgir:
- ✓ Með núverandi tengslum getur Damas öðlast stöðu forgangsbirgis skartgripa gagnvart félaginu með árlegar innkaupatölur (frá Damas) á bilinu GBP 20-25 milljónir.
 - Damas leggur til almennar vörur og félagið notar ekki nöfn Damas eða merki þess.
 - Verslanir félagsins skulu heldur ekki sýna nafn Damas neins staðar.
 - Þetta tvennt er að tillögu félagsins til að hafa ekki truflandi áhrif á núverandi mynd vörumerkjanna.

E. NEIKVÆÐ ATRIÐI FJÁRFESTINGAR

Eftirfarandi atriði þarf að hafa í huga sem væntanlegar málamiðlanir Damas frá tillögunni.

- **Ófullnægjandi hagnaður:**

Fjármálaspár félagsins gefa til kynna að ROI Damas verði að meðaltali á bilinu ___ tala verður uppfærð.

ROI-markmið Damas í % hefur verið 20% og því er áætlaður hagnaður af félaginu hugsanlega ekki álitlegur að mati stjórnar.

- **Skipting hluta:**

Núverandi samsetning hlutafjár félagsins er þrjú mismunandi flokkar hlutabréfa tengdir ójöfnum réttindum. Damas gerir þá forsendukröfu að félagið verði endurskipulagt og hafi aðeins einn flokk hlutabréfa útgefinn til hluthafa.

- **Lagaflækjur:**

- 1) Lagaleg áreiðanleikakönnun hefur leitt í ljós að mörg mikilvæg skjöl svo sem fundargerðir stjórnar og skiptingarsamþykktir félagsins hafa ekki verið fullnustaðar nægilega.
- 2) Starfslokasamningur var gerður við hr. Piasecki, stofnanda Goldsmiths. Við höfum ekki fengið að skoða hann.
- 3) Endurskoða þarf langtímasamninga við birgja.
- 4) Stutturðar upplýsingar fengnar á fundum okkar leiddu í ljós að í samningunum við bankana er ákvæði um að ekki verði hægt að greiða hluthöfum arð í fimm ár frá núna.
Fimm ár frá hvaða tíma?

Þetta opnar fyrir möguleika á kröfu þriðja aðila gagnvart félaginu. Nægileg skaðleysisákvæði (þar á meðal að halda eftir hluta af kaupverðinu, ef þörf krefur) verður því að tryggja.

- Lélegur sýnileiki vörumerkis Damas

Damas nýtur hugsanlega ekki beins sýnileika vörumerkis á breskum markaði vegna þessara viðskipta. Félagið hefur lýst erfiðleikum sínum varðandi röskun á vörumerkisímynd.

- Fjárfesting í GBP

Fjárfesting Damas verður í GBP. Þetta felur í sér áhættu markaðsvirðis.

F. ÁHÆTTUÞÆTTIR

- Verð og mat
- Óútkljáð málaferli
- Samkeppni:
- Eflingarárangur:
- Rekstrarárangur
- (Tölur í USD '000) –FÁ endar 31. des.)

Tekjur

Hagnaður alls

Rekstrarhagnaður

Nettóhagnaður (þar á meðal aðrar tekjur)

Söluaukning %

Hagnaðarálag (%)

Rekstrarhagnaðarálag (%)

Nettóhagnaðarálag (%)

Nettóhagnaðaraukning (%)

Eignir alls

Viðskiptavild og óefnislegar
Fastafjármunir

Birgðir

Skuldarar
Aðrir veltufjármunir

Skuldir alls

Gullán
Aðrar veltuskuldir
Eigið fé
Fjárkröfur, Dagar
Birgðir, Dagar
Eignavelta

Hlutfall milli skulda og eiginfjár

Ef Damas fer út í þennan rekstur er spá um nettóhagnað félagsins sem hér segir:

Nettóhagnaður (USD '000)				

G. STJÓRN

Samanlögð reynsla stjórnarmanna félagsins af smásölu er ____ ár.

H. ÁREIÐANLEIKAKÖNNUN

- Fjármálaáreiðanleika- og skattaáreiðanleikakönnun á félaginu er gerð af Ernst & Young, London.
- Dewey, Leboeuf í Dúbái gerðu lagalega áreiðanleikakönnun.

I. SAMNINGSKOSTIR

Verður sett inn.

17A. 44.



INVESTMENT TEMPLATE

Investee Company	Date	September 2008
Aurum Holdings Ltd	Transaction Type	Part acquisition
Existing shareholding:		Fresh Equity
BG Holding ehf 41.87%	Transaction Amount	USD 65 -70 Million
Fons 25.71%		
Jurek Piasecki 10.56%	Damas Equity Stake	30%
Management 11.20%		
Others 10.66%		

A. BUSINESS DESCRIPTION

Aurum Holdings Limited ('The Company') is mainly engaged in the retail of Jewellery and watches in the United Kingdom under the prestigious brand names of Goldsmiths (GS), Mappin & Webb (MW), Watches of Switzerland (WOS) and My Diamonds.

The Company in its present form and brands has evolved over a series of acquisitions over the past decade.

The Company presently has 183 retail units spread across the United Kingdom. (GS - 153, MW - 17 and WOS - 13). Latest numbers to be updated

The Company also has transactional website for GS and My Diamonds.

B. TRANSACTION

The transaction under consideration proposes that Damas LLC (Damas) will purchase 18% of the existing shares of the Company and subscribe to an additional 17% of the new shares to be offered with immediate effect at a total provisional price of USD 65 - 70 Million. The eventual shareholding of Damas after the above purchase shall be 30% of the Company.

C. VALUATION

The book value of equity as at end of Jan 08 has been estimated at GBP 47 Million. On the basis of DCF method based on multiples of EBITDA, the following values have been derived.

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EBITDA Multiple Method	
Amounts in GBP – '000	
Weighted average cost of capital:	11.6%
Net present value of free cash flow	60,634.6
Exit multiple	7.0x
Terminal value	208,131.27
Present value of the terminal value	120,469.30
Terminal value as a %age of Enterprise Value	66.52%
Enterprise Value	£181,103.9
LESS: Net Debt	(74,123.0)
Equity Value	£106,980.9

Acquisition stages for Damas

Equity value as per the above method **£106,981**

Stage 1:

Purchase of shares from existing shareholders 18% **£19,257**

Stage 2:

New shares to be issued to Damas **£18,339**

Total investment by Damas £ 37,596

Total investment by Damas in USD (@ 1.8) \$ 67,672

New capital of the company £125,320

Investment by Damas £37,596

Shareholding of Damas in the company 30%

Financial Highlights

Balance Sheet abstract	Amount in GBP -000							(Source : Projections)	
	Details	Jan-07	Jan-08	Jul-08	Jan-09	Jan-10	Jan-11	Jan-12	Jan-13
Goodwill		79,971	79,971	79,971	79,971	79,971	79,971	79,971	79,971

Fixed Assets	19,324	20,603	22,668	33,176	35,895	36,080	35,534
Current Assets	119,984	128,179	117,286	118,744	121,495	123,719	126,069
Current Liabilities	(90,618)	(82,567)	(86,650)	(85,379)	(86,546)	(87,409)	(89,288)
Net Current Assets	29,366	45,612	30,636	33,365	34,949	36,310	36,781
Total Assets	128,661	146,186	133,275	146,512	150,815	152,361	152,286
Net Debt	81,671	105,808	82,159	72,029	62,953	46,297	27,868
Equity							
Share capital (incl Premium)	71,908	74,849	71,908	87,908	87,908	87,908	87,908
Strig/Frs 17	(1,542)		35	-	-		
Loss brought forward	(23,376)	(24,919)	(24,918)	(20,827)	(13,425)	(46)	18,156
EBT shareholding		(2,910)					
Current year profit		(6,642)	4,091	7,402	13,379	18,202	18,354
Total equity	46,990	40,378	51,116	74,483	87,862	106,064	124,418
Total Equity and Liabilities	128,661	146,186	133,275	146,512	150,815	152,361	152,286

The projections are as given by the company management. For the purpose of the valuation, we have reduced the sales projections by 1% and arrived at the new EBITDA values.

D. WHY INVEST?

- Growth strategy:
- Preferred supplier:

✓ With the present association, Damas can gain the status of preferred supplier of Jewellery merchandise to the Company with the annual procurement values (from Damas) to be in the range of GBP 20 – 25 Million.

- The supply of Damas shall be of generic products and the Company shall not put the names of Damas or its brands.
- The stores of the Company shall also not have the names of Damas displayed any where.

The above two have been suggested by the Company so that the existing brand images of the brands are not disturbed.

E. INVESTMENT NEGATIVES:

The following points have to be considered as the compromises expected from Damas from the proposal.

- **Inadequate profits:**

The Company's financial projections indicate that the ROI for Damas will be in an average range of _____ number to be updated

The target ROI % for Damas has been 20% and hence the projected return from the Company may not be attractive to the Board.

- **Division of shares:**

The present composition of the share capital of the company is three different classes of shares linked with unequal rights. As a pre requisite, Damas requires that the company rationalizes and have only one class of shares issued to its shareholders.

- **Legal tangles:**

- 1) The legal due diligence has revealed that several important documents such as the Board Minutes and distribution agreements of the company have not been executed adequately.
- 2) There is an exit agreements made with Mr. Piasceki, the founder of Goldsmiths. This has not been provided for our review.
- 3) Agreements with suppliers which are long term in nature have to be reviewed
- 4) Brief information received during our meetings revealed that the covenants with the banks have a clause that dividends cannot be paid to the shareholders for a period of five years from now. Five years from when?

This leaves open a possibility of third party claims against the company. Hence adequate indemnity clauses (including withholding part of the purchase consideration, if required) are required to be ensured.

- **Poor brand visibility for Damas:**

Damas might not get the direct benefit of brand visibility in the UK market as a result of this transaction. The Company has expressed their difficulty in disturbing their brand image.

- **Investment in GBP:**

The investment to be made by Damas will be in GBP. This has the inherent risk of 'mark to market'.

F. RISKS

- Price & Valuation:
- Pending litigation:
- Competition:
- Expansion Success:

F. Financial performance¹

(figures in USD '000)– FY ends Dec. 31)



Revenues

Gross Profit

Operating profit

Net Profit (including Other Income)

Growth in Sales %

Gross Profit Margin (%)

Operating Profit Margin (%)

Net Profit Margin (%)

Growth in Net Profit %

Total Assets

Goodwill & Intangibles

Fixed Assets

Inventory

Debtors

Other Current assets

Total Liabilities

Gold Loans

Other Current liabilities

Equity

Receivable , Days

Inventory, Days

Asset Turnover

Debt Equity ratio

Going forward, with Damas entering into the venture, the Net Profits of the company are projected to grow as below:

Net Profits (USD'000)				

G. MANAGEMENT

The collective retail experience of the Management of the Company is _____ years.

H. DUE DILIGENCE

- The financial and tax due diligence on the Company has been conducted by Ernst & Young, London.
- The legal due diligence on the Company has been conducted by Dewey & LeBoeuf, Dubai.

I. EXIT OPTIONS

To be filled in