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Ferrari: The 2015 Initial Public Offering

The Ferrari is a dream—people dream of owning this special vehicle, and for most people it will remain a dream apart from those lucky few.

♡ CEO : Marchiome

-Enzo Ferrari,
Founder, Ferrari

It was October 20, 2015, the day before what was anticipated to be the first day of public trading for the stock of legendary Italian sports car company Ferrari NV (Ferrari). Sergio Marchionne, chairman of Ferrari and CEO of its parent company, Fiat Chrysler Automobiles NV (FCA), had announced a year previously that FCA would be spinning off Ferrari into a separately traded company. As an independent company, the shares of Ferrari (under the aptly named ticker symbol RACE) would be listed on the New York Stock Exchange (NYSE), with an eventual listing in Milan. Marchionne's plan was to sell 10% of Ferrari's shares in an initial public offering (IPO), and the money raised in the offering would go to FCA.

The worth of the Ferrari shares had been the subject of fierce debate among analysts and investors, especially after FCA set an initial price range of USD48 to USD52 per share in early October.[1] Following the road-show meetings with potential investors in both Europe and the United States, Marchionne knew there was strong demand for the 17.175 million shares that would be offered for sale in the IPO. If the offer price was set too low, FCA would leave money on the table, which suggested pricing the deal at the top of the initial range or beyond. However, if the offer price was set too high, poor first-day trading returns would sour the investor's initial experience with the company. It was time now for Marchionne—in negotiation with lead bank UBS—to set the price at which the company's IPO shares would be offered to investors that evening.

Ferrari—A Background[2]

The history of Ferrari, the business, was inextricably linked to Ferrari, the man. Enzo Ferrari, born to a lower-middle-class family in Modena, Italy, in 1898, felt a powerful draw to racing from a young age. He moved to Turin to work for Fiat after the First World War only to have his application hurtfully rejected. He eventually landed an assistant job at a new automobile manufacturer nearby, and it was there that he competed in his first race in 1919. Despite his passion for racing, he was not immediately successful; he finished fourth. Enzo Ferrari

[1] USD = U.S. dollars, EUR= euros.

[2] The background on Ferrari is partially drawn from Drew D. Johnson, ed., *International Directory of Company Histories: Volume 146* (Detroit: St James Press, 2013). Thomas Derdak, "Ferrari S.p.A," pp 140–146.

joined the team of racecar maker Alfa Romeo as a test driver, and his role soon grew to include racing Alfa Romeos on behalf of the company and selling cars to wealthy clients around northern Italy. Over the years, he raced his way to multiple victories and built a large dealership from which he sold and serviced Alfa cars. In the late 1920s, Alfa Romeo encountered financial difficulties and shut down its involvement in the racing circuit.

Unable to be around cars and not race them, Enzo Ferrari founded his own racing *scuderia* ("stable" or "team") in 1929—Scuderia Ferrari. Over the ensuing years he continued to run both his dealership and Scuderia Ferrari (which Alfa Romeo frequently used to represent the company at races). Alfa Romeo eventually bought 80% of Scuderia Ferrari and returned the management of the racing program to company headquarters. Following the acquisition, Enzo Ferrari realized that he would never achieve his ambition of running Alfa Romeo's racing program and left the company in 1939 after two decades of service. The parting agreement forbade him from racing or using the name Scuderia Ferrari for the next four years, so he returned to one of his old scuderia buildings in Modena the next year and established his own manufacturing firm while waiting out the racing ban.

However, with Italy's involvement in the Second World War, Mussolini's fascist government forced Enzo Ferrari to focus his manufacturing operation on building aircraft engines for the war rather than cars. When Allied forces bombed the factory, Enzo Ferrari moved his operations from Modena to Maranello. After the war, Enzo Ferrari debuted his first Ferrari racecar, which quickly won a high-profile race in Turin in front of Italy's elite. Before long, members of European society were contacting Ferrari for cars of their own. The following year Ferrari's car designers finished a nonracing road car. During the following decade these handmade cars, produced in batches of 10, became the prize of every car enthusiast in Europe and North America, with a client list including kings, princes, and members of America's wealthiest families.

Despite his commercial business success, Enzo Ferrari's single focus continued to be racing. Throughout the 1950s and 1960s, he used the profits from his sports car sales to fund competition in Grand Prix and Formula 1 races. Enzo Ferrari was so present on the racing circuit that he became Italy's national symbol of motor racing. His negligence ความละเลย toward road car production (and the ensuing design and production flaws) became evident, and Ferrari sales declined throughout the 1960s.

Refusing to cut costs and miss races, Enzo Ferrari sought external funds to keep the company afloat. He went to Fiat for help, an ironic turn following his longtime disdain for Fiat. In 1969, Fiat purchased 50% of Ferrari shares and took control of all road car production. Ferrari retained ownership in the remaining 50% and continued to manage the racing operation. Fiat's efforts to modernize the factory and update the manufacturing process paid off, and by 1980, annual road car production reached 2,000, more than double what it had been prior to Fiat's involvement. At the time of Enzo Ferrari's death in 1988, Fiat's stake in Ferrari was 90%, with the remaining 10% held by the Ferrari family.

Ferrari—The Car Business

After Ferrari's death, his namesake company entered a period of aimlessness and decline—annual sales consisted of only 2,000 cars in the early 1990s. In 1992, Fiat hired Luca Cordero di Montezemolo, a marketing maven ผู้เชี่ยวชาญ who had once worked as both an assistant to Enzo Ferrari and later as the Ferrari team leader, as chairman of Ferrari. Montezemolo wasted no time in making sweeping changes at the automaker. The product line grew from two outdated models to nine new ones and a commitment to engineering excellence was instilled.

A key aspect of Montezemolo's quality and branding strategy over the period from 1992 to 2014 involved holding production volumes below demand in order to instill a perception of exclusivity. In 2014, for example, Ferrari sold just 7,255 cars compared to the nearly 40,000 cars sold by FCA's sister company, Maserati.[3] The restricted production created long waiting lists, but customers who were designated as preferred customers due to their regular purchases were allowed to bypass the waiting list. This policy prompted many buyers to regularly purchase Ferrari cars just to stay on the preferred customer list. Ferrari also produced limited-edition "halo" cars that were exclusively sold to a select group of loyal customers. One notable such offering was the roofless F60 America, which was announced in 2014; only 10 of the USD2.5 million roadsters were produced and all were sold in advance of the cars' actual production, with commitments based simply on a full-scale maquette. The limited production policy ensured high resale value. For example, in August 2014 Bonhams auctioned a 1962 Ferrari GTO for a jaw-dropping USD38 million.[4] Montezemolo believed that the waiting list and limited-edition model policies promoted the Ferrari brand without jeopardizing customer satisfaction. Ferrari had recently been named the most powerful brand in the world by Brand Finance, the intangible-asset-valuation consultancy.

By 2014, Montezemolo's restricted-volume strategy was creating increased tension with the leadership at Ferrari's parent company, FCA. In September, Marchionne, who was business-school educated and had long pushed Ferrari management to increase volume, asked Montezemolo to leave the company. On his way out, Montezemolo reportedly said that Ferrari was now American, and that statement wasn't meant as a compliment.[5] After Montezemolo left, Marchionne stepped in as chairman and immediately pushed for higher volume—particularly to China and the Middle East. Marchionne indicated that Ferrari shipment volume would rise to 9,000 units by 2019. He maintained that the volume increase was justified by both "growing demand in emerging markets" and "demographic changes as the size and spending capacity of target clients." By maintaining restricted volumes in Europe and the Americas, Marchionne believed Ferrari could maintain its levels of perceived exclusivity and preserve the value of brand, even with a higher vehicle output. **Exhibit 1** provides Ferrari historical data on shipments by car model.

In 2015, the company had four sports cars and two grand touring cars in production, in addition to a half-dozen limited-edition vehicles (see **Exhibit 2** for descriptions of the current product line). Ferrari's brand power was such that the average car selling price exceeded USD267,000, and Ferrari was one of the most profitable companies in the global auto-manufacturing industry, with operating margins far greater than industry average. **Exhibits 3** and **4** provide financial statement information for Ferrari.

In addition to its revenue from car, engine, and parts sales, Ferrari maintained a steady stream of income, totaling roughly 15% of yearly sales, from its sponsorships and licensing activities, a line of business that was developed under Montezemolo's leadership. Not only did Ferrari lend its name to its Formula 1 racing team and collect on those sponsorship agreements and shared revenues with the Formula 1 World Championship commercial revenue, but, starting in the mid-1990s, the company also licensed its brand power and iconic prancing horse logo to a "select number of producers and retailers of luxury and lifestyle goods" ranging from watches and sportswear to perfume and video games.[6] Ferrari launched its first retail store in 2002, and by 2015, the company sold Ferrari-branded merchandise through 32 franchised or company-owned Ferrari stores and on its website. In 2010, the first Ferrari theme park, Ferrari World, opened in Abu Dhabi and featured the world's fastest roller coaster—Formula Roussa. Ferrari management believed there were ongoing opportunities to expand the company's brand presence further "in attractive and growing lifestyle categories…including sportswear, watches, accessories, consumer electronics and theme parks, which…[would] enhance the brand experience of...loyal clients and Ferrari enthusiasts."[7]

net profit margin

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[3] *Ward's Automotive Yearbook* (Southfield, MI: Penton Media, 2016).
[4] Mark Ewing, "Ferrari at the Crossroads," *Forbes*, December 15, 2014: 106–108.
[5] Ewing.
[6] Ferrari prospectus.
[7] Ferrari prospectus.

FCA

The formation of FCA resulted from the merger of Fiat, the leading Italian car manufacturer, which had been founded in 1899, and Chrysler, the third-largest U.S. auto company, which had been founded in 1925. The two companies partially merged in 2009, as Fiat hoped to expand its exposure beyond a struggling European market and Chrysler hoped to use Fiat's technology to build more fuel-efficient, smaller cars to sell in North America. Over the next few years, Fiat bought additional stakes in Chrysler before assuming full ownership in early 2014, in the midst of a highly competitive year for the global automotive sector.

FCA was currently the world's seventh-largest automaker. With operations in approximately 40 countries, FCA designed, manufactured, distributed, and sold vehicles for both the mass market (under the Abarth, Alfa Romeo, Chrysler, Dodge, Fiat, Fiat Professional, Jeep, Lancia, and Ram brands) and the luxury market (under the Maserati and Ferrari brands). Despite its broad portfolio of vehicles, FCA received disproportionate benefits from its luxury automotive sector—FCA's luxury brand division provided 21% of 2014's EBIT despite just 5% of revenue. **Exhibit 5** provides operating details on FCA's car portfolio.

Facing a range of competitive and economic threats in 2014, Marchionne announced a five-year business plan. The plan sought to aggressively reorganize the company over the period from 2014 to 2018 by focusing on strengthening, differentiating, and globalizing FCA's portfolio of brands and standardizing production architecture for multiple brands to increase productivity. Soon after the plan was announced and just weeks after Montezemolo's exit, Marchionne announced the intended separation of Ferrari from FCA. The plan provided that FCA would sell 17.175 million shares in an IPO, with the proceeds going to FCA. Several months after the IPO, FCA would spin off the 80% of Ferrari stock it held. The spin-off entailed simply distributing FCA holdings in Ferrari to the existing FCA shareholders as a stock dividend. Following the spin-off, 90% of Ferrari shares would be publicly traded and the other 10% retained by the Ferrari family. FCA saw the upcoming Ferrari IPO and spin-off as having several purposes.

1. Generate a large cash payment to FCA through the sale of the IPO shares, while simultaneously transferring some of FCA's debt to Ferrari (Ferrari debt was expected to be EUR2.3 billion after the deal).
2. Promote and extend the value of Ferrari's brand among the world's premier luxury lifestyle companies.
3. Allow Ferrari direct access to sources of equity and debt capital on favorable terms.
4. Attract American investors by listing on the NYSE—historically one of Ferrari's most important product markets.
5. Attract and reward technical and management talent by allowing them to have direct ownership in Ferrari.
6. Unlock "hidden value" that shareholders were not currently attributing to FCA share values under the consolidated structure. While the entire FCA group (including Ferrari) was trading for a market capitalization of EUR21 billion, Marchionne believed that both Ferrari and the rest of FCA would trade for much more than that if the companies traded independently.

The Premium Car Industry

The premium car industry historically included a wide range of entry points. In order to categorize the industry further, some analysts divided the sector into a normal premium segment and a super luxury segment.[8] Normal premium brands included Audi (owned by Volkswagen), Mercedes (owned by Daimler), BMW, and Japanese luxury brands Lexus and Infiniti. The super luxury brands included lower-volume makers such as Ferrari, Rolls-Royce (owned by BMW), Porsche, Bentley, and Bugatti (all three owned by Volkswagen), all of which shared a historic European legacy as a key component of their branding power.

Some argued that Ferrari's business was closer to such luxury-good firms as Hermès or Prada than that of car manufacturers. These firms maintained similarly high-margin, low-volume, and low-volatility business models. While the level of Ferrari's capital investment was much higher than that required of most luxury goods firms, Ferrari spent substantially less on advertising and used Formula 1 as its marketing tool. **Exhibit 6** provides capital market and financial data for car-related companies and luxury brands.

In 2015, the premium car industry exhibited continued strength in its traditional markets in the developed world while also enjoying growing demand from China, the world's single-largest automotive market.[9] WardsAuto claimed that the annual growth of units of the Chinese luxury car sales had exceeded 20% over the past five years and now exceeded 1.5 million units per year.[10] While the global car market expanded by 3.5% in 2014, the premium sector enjoyed considerably more gains. For example, in 2014 BMW Group sold over 1.8 million BMW-brand cars and over 4,000 Rolls-Royce–brand cars, up 9.5% and 11.9%, respectively, from the previous year.

The IPO Process

The process of going public—selling publicly traded equity for the first time—was an arduous undertaking that, at a minimum, required about three months. (**Table 1** provides a timetable for a typical IPO.)

Before initiating the equity-issuance process, private firms needed to fulfill a number of prerequisites: generate a credible business plan; gather a qualified management team; create an outside board of directors; prepare audited financial statements, performance measures, and projections; and develop relationships with investment bankers, lawyers, and accountants. Frequently, firms held "bake-off" meetings to discuss the equity-issuance process with various investment banks before selecting a lead underwriter. Important considerations when choosing an underwriter included the proposed compensation package, track record, analyst research support, distribution capabilities, and aftermarket market-making support. After the firm satisfied the prerequisites, the equity-issuance process began with a meeting of all the key participants (management, underwriters, accountants, and legal counsel for both the underwriters and the issuing firm) to plan the process and reach agreement on specific terms. Throughout the process, additional meetings could be called to discuss problems and review progress.

Following the initiation of the equity-issuance process, the company was commonly prohibited from publishing information outside the prospectus. The company could continue established, normal advertising activities, but any increased publicity designed to raise awareness of the company's name, products, or geographical presence in order to create a favorable attitude toward the company's securities could be considered illegal. This requirement was known as the "quiet period."

[8] Christian Breitsprecher et al., "Premium Car Makers—the Sweetest Piece of the Pie," *Macquarie*, January 6, 2014: 42.
[9] Breitsprecher et al.: 31.
[10] Mike Dean, Alexander Haissl, and Fei Teng, "European Autos 2015 Outlook," Credit Suisse, January 9, 2015.

Table 1. Timetable for typical U.S. IPO (in days).

Prior to Day 1: Organizational "all-hands" meeting	1	2	3	4	5	6	7	
	8	9	10	11	12	13	14	**1–14: Quiet period**
15–44: Due diligence	15	16	17	18	19	20	21	
Underwriter interviews management, suppliers, and customers; reviews financial statements; drafts preliminary registration statement. Senior management of underwriter gives OK on issue.	22	23	24	25	26	27	28	
	29	30	31	32	33	34	35	
	36	37	38	39	40	41	42	
45: Registration (announcement)	43	44	45	46	47	48	49	**45–75: SEC review period** SEC auditor reviews for compliance with SEC regulations. Underwriter assembles syndicate and initiates road show.
50: Prospectus (*red herring*)	50	51	52	53	54	55	56	
	57	58	59	60	61	62	63	
	64	65	66	67	68	69	70	
	71	72	73	74	75	76	77	**76–89: Road show** Preliminary price range set. Underwriters, issuing firm's management present deal to institutional investors, build book of purchase orders.
76–89: Letters of comment received from SEC; amendments filed with SEC.	78	79	80	81	82	83	84	
90: Effective date; shares offered	85	86	87	88	89	90	91	**91: Trading begins**
	92	93	94	95	96	97	98	**98: Settlement**

Source: Created by author based on industry standards.

The underwriter's counsel generally prepared a letter of intent that provided most of the terms of the underwriting agreement but was not legally binding. The underwriting agreement described the securities to be sold, set forth the rights and obligations of the various parties, and established the underwriter's compensation. Because the underwriting agreement was not signed until the offering price was determined (just before distribution began), both the firm and the underwriter were free to pull out of the agreement any time before the offering date. If the firm did withdraw the offer, the letter of intent generally required the firm to reimburse the underwriter for direct expenses.

Selling securities required a registration process with the government's security regulatory agency. In the United States, the Security and Exchange Commission (SEC) called for preparation of the prospectus (part I of the registration statement), answers to specific questions, copies of the underwriting contract, company charter and bylaws, and a specimen of the security (included in part II of the registration statement), all of which required considerable attention from the parties on the offering firm's team. One of the important features of the registration process was the performance of due-diligence procedures by the company and the bankers. Due diligence referred to the process of providing reasonable grounds that there was nothing in the registration statement that was significantly untrue or misleading and was motivated by the liability of all parties to the registration statement for any material misstatements or omissions. Due-diligence procedures involved such things as reviewing company documents, contracts, and tax returns; visiting company offices and facilities; soliciting "comfort letters" from company auditors; and interviewing company and industry personnel.

During this period, the lead underwriter began to form the underwriting syndicate, which comprised a number of investment banks that agreed to buy portions of the offering at the offer price less the underwriting discount. The underwriting discount provided the bulk of compensation for the underwriter as it paid a discounted price for the IPO shares and then turned around and sold them for the full offering price. In addition to the syndicate members, dealers were enlisted to sell a certain number of shares on a "best-effort" basis. The dealers received a fixed reallowance, or concession, for each share sold. The selling agreement provided the contract to members of the syndicate, granted power of attorney to the lead underwriter, and stipulated (a) the management fee that each syndicate member was required to pay the lead underwriter, (b) the share allocations, and (c) the dealer reallowances or concessions. Because the exact terms of the agreement were not specified until approximately 48 hours before selling began, the agreement did not become binding until just before the offering. The original contract specified a range of expected compensation levels; the selling agreement was structured so that the contract became binding when it was orally approved via telephone by the syndicate members after the effective date.

The SEC review process started when the registration statement was filed and the statement was assigned to a branch chief of the Division of Corporate Finance. As part of the SEC review, the statement was given to accountants, attorneys, analysts, and industry specialists. The SEC review process was laid out in the Securities Act of 1933, which according to its preamble aspired to "provide full and fair disclosure of the character of securities sold in interstate commerce." Under the Securities Act, the registration statement became effective 20 days after the filing date. If, however, the SEC found anything in the registration statement that was regarded as materially untrue, incomplete, or misleading, the branch chief sent the registrant a letter of comment detailing the deficiencies. Following a letter of comment, the issuing firm was required to correct and return the amended statement to the SEC. Unless an acceleration was granted by the SEC, the amended statement restarted the 20-day waiting period.

While the SEC was reviewing the registration statement, the underwriter was engaged in book-building activities, which involved surveying potential investors to construct a schedule of investor demand for the new issue. To generate investor interest, the preliminary offering prospectus or "red herring" (so called because the prospectus was required to have the words "preliminary prospectus" on the cover in red ink) was printed and offered to potential investors. During this period, underwriters generally organized a one- to two-week "road show" tour, which enabled managers to discuss their investment plans, display their management potential, and answer questions from financial analysts, brokers, and institutional investors in locations across the country or abroad. Finally, companies could place "tombstone ads" in various financial periodicals announcing the offering and listing the members of the underwriting syndicate.

By the time the registration statement was ready to become effective, the underwriter and the offering firm's management negotiated the final offering price and the underwriting discount. The negotiated price depended on perceived investor demand and current market conditions (e.g., price multiples of comparable companies, previous offering experience of industry peers). Once the underwriter and the management agreed on the offering price and discount, the underwriting agreement was signed, and the final registration amendment was filed with the SEC. The company and the underwriter generally asked the SEC to accelerate the final pricing amendment, which was usually granted immediately by phone. The offering was then ready for public sale. The final pricing and acceleration of the registration statement typically happened within a few hours.

During the morning of the effective day, the lead underwriter confirmed the selling agreement with the members of the syndicate. Following confirmation of the selling agreement, selling began. Members of the syndicate sold shares of the offering through oral solicitations to potential investors. Because investors were required to receive a final copy of the prospectus with the confirmation of sale, and the law allowed investors to back out of purchase orders upon receipt of the final prospectus, the offering sale was not realized until underwriters actually received payment. Underwriters would generally cancel orders if payment was not received within five days of the confirmation.

SEC Rule 10b-7 permitted underwriters to engage in price-stabilization activities for a limited period during security distribution. Under this rule, underwriters often posted stabilizing bids at or below the offer price, which provided some price stability during the initial trading of an IPO.

The offering settlement, or closing, occurred 7 to 10 days after the effective date, as specified in the underwriting agreement. At this meeting, the firm delivered the security certificates to the underwriters and dealers, and the lead underwriter delivered the prescribed proceeds to the firm. In addition, the firm traditionally delivered an updated comfort letter from its independent accountants. Following the offering, the underwriter generally continued to provide valuable investment-banking services by distributing research literature and acting as a market maker for the company.

Pricing the Ferrari IPO

As the date of the Ferrari IPO approached, an active debate around the appropriate valuation for Ferrari continued to make waves in the investment community. **Exhibit 7** contains samples of analyst and reporter opinions on the value of the shares. **Exhibit 8** provides a base-case financial forecast for Ferrari based on Marchionne's volume-expansion forecast. The cost of capital had been estimated to be 5.0% in euro based on market data for comparable companies. This figure was consistent with the relatively low risk that analysts associated with Ferrari's expected cash flows. Although Ferrari was incorporated in the Netherlands, because the company headquarters and operations were in Italy, Ferrari profits would be taxed in Italy at a tax rate of 38%.

The number of Ferrari shares outstanding was to increase from 172 million before the offering to 189 million after the offering.[11] To facilitate trading in U.S. dollars on the NYSE, U.S.-dollar Ferrari certificates would be authorized for trading in the United States based on euro-denominated Ferrari shares held in trust. The trust would facilitate transfer of all dividends and voting privileges between the certificate holder and the company as if the certificate were equivalent to the underlying share. This arrangement was common in the United States to allow the shares of non-U.S. companies to trade on U.S. exchanges.

The level of comparable price multiples played an important role in the valuation of IPO firms, but for Ferrari there were no perfect "pure plays" (publicly traded companies that were solely in the exact same business). World IPO volume was down from 2014, but European IPO volume was up. Back in March, Autotrader, the British website for buying and selling used cars, had gone public at an enterprise-to-EBITDA multiple of 26 times. In June, the American producer of wearable activity trackers, Fitbit, had priced its IPO at 21 times EBITDA. Last week, the large British payment-processing company Worldpay had gone public at 19 times EBITDA. Concurrently, it was expected that Poste Italiane, Italy's postal ไปรษณีย์ service, would price its IPO at a multiple of 8 times EBITDA. The only related auto manufacturer transaction was the 2012 acquisition of Aston Martin by a private equity firm that had occurred at an EBITDA multiple of 9.9 times. But Aston Martin had been poorly performing and unprofitable at the time of the acquisition and had a much lower brand loyalty than Ferrari. **Exhibit 9** provides prevailing capital market information.

The current interest reports suggested that investor interest in the Ferrari IPO was so high that the deal was expected to be as much as 10 times oversubscribed. Indeed, following the road show in Europe the

[11] Since FCA, rather than Ferrari, would receive the cash proceeds of the offering, the appropriate number of shares to consider in pricing the company was the post-money shares of 189 million.

previous week, UBS claimed that the book was well oversubscribed. These signals left Marchionne wondering if pricing the stock within range might leave money on the table.

The contrasting view, however, held that pricing too high would send a message of imprudence to the investment community and risk losing subsequent upsurges in price. Some analysts had, after all, expressed concern that Ferrari might struggle as an independent entity because of its small scale. Others worried that once Ferrari as a public company, management would be pushed to think more about numbers and sales than preserving brand exclusivity.

Exhibit 1

Ferrari: The 2015 Initial Public Offering

Ferrari Car Shipments

	Full Year			First Half of Year	
	2012	2013	2014	2014	2015
By Model Type					
Sports Cars					
V8	4,274	3,944	3,651	2,077	1,581
V12	481	1,401	1,565	900	645
Total	4,755	5,345	5,216	2,977	2,226
GT Cars					
V8	1,589	1,219	1,645	454	1,280
V12	1,061	436	394	237	188
Total	2,650	1,655	2,039	691	1,468
By Geography					
Europe, Middle East, and Africa					
United Kingdom	686	686	705	408	456
Germany	755	659	616	353	214
Switzerland	366	350	332	181	155
Italy	318	206	243	132	139
France	330	273	253	138	129
Middle East	423	472	521	232	185
Rest of EMEA	825	663	604	349	320
Total EMEA	3,703	3,309	3,274	1,793	1,598
Americas					
Americas	2,208	2,382	2,462	1,199	1,287
Asia Pacific					
Greater China	789	572	675	289	261
Rest of APAC	705	737	844	387	548
Total APAC	1,494	1,309	1,519	676	809
Total	7,405	7,000	7,255	3,668	3,694

Middle East includes the United Arab Emirates, Saudi Arabia, Bahrain, Lebanon, Qatar, Oman, and Kuwait.
Rest of Europe, Middle East, and Africa (EMEA) includes Africa and the other European markets not separately identified.
Americas includes the United States of America, Canada, Mexico, the Caribbean, and Central and South America.
Greater China includes China, Hong Kong, and Taiwan.
Rest of Asia Pacific (APAC) mainly includes Japan, Australia, Singapore, Indonesia, and South Korea.

Source: Ferrari prospectus.

Exhibit 2

Ferrari: The 2015 Initial Public Offering

Ferrari Car Models in October 2015

Sports Cars

458 Italia

The 458 Italia is a two-seater sports car with a 570 hp mid-rear mounted V8 engine, launched in 2009. Its longitudinally-mounted engine is influenced by Ferrari's Formula 1 racing technology, and has been engineered to reach 9,000 rpm, a first on an eight cylinder road car. The 458 Italia is designed as a pure sports car, for drivers seeking spirited performance on and off the track. The cabin features a reinterpretation of Ferrari's traditional sports car interior themes, with clean and simple yet innovative components. The redesigned and intuitive ergonomics have resulted in a completely driver-oriented layout. We discontinued production of the 458 Italia, which is being replaced by the 488 GTB, in May 2015.

488 GTB

Our latest sports car, the 488 GTB a two seater berlinetta with a 670 hp mid-rear mounted V8 engine, is replacing the 458 Italia. It was launched in March 2015, 40 years after we unveiled our first ever mid-rear-engined V8 model (the 308 GTB). Its large signature air intake scallop evokes the original 308 GTB and is divided into two sections by a splitter. Designed for track-level performance, the 488 GTB can also provide enjoyment to non-professional drivers for everyday use. Accelerating from 0-200 km/h in only 8.3 seconds, its new 3902 cc V8 turbo engine is at top of the class for power output, torque and response times. In the cabin, the seamless integration of the new satellite control clusters, angled air vents and instrument panel heightens the sense that the cockpit is completely tailored around the driver, leading to an extremely sporty yet comfortable ambiance.

458 Spider

Launched in 2011, the 458 Spider is a two seat coupe with a 570 hp mid-rear mounted V8 engine and is the world's first mid-rear-engine car with a retractable hard top. If offers the full experience of sports car driving, especially on mixed and challenging surfaces, but aims to cater to those who do not need to constantly push their car to the limit on the track. Unlike the 458 Italia, the engine air intakes have been moved to the rear spoiler, close to the gearbox, clutch and oil radiators. Like the 458 Italia and the 458 Speciale (see below), the Spider draws inspiration from Formula 1 single-seaters, and has been made 12 percent more aerodynamic than its convertible predecessors, such as the F430. Among its other awards, it was named 2012's "Best of the Best" convertible by the Robb Report (a prominent luxury periodical). We currently expect to stop producing the 458 Spider by the end of July 2015.

F12berlinetta

Launched in 2012, the F12berlinetta is equipped with a 740 hp V12 engine. It is the most powerful high performance Ferrari sports car ever built. Built around evolved transaxle architecture with cutting-edge components and control systems, it sets a new standard in aerodynamics and handling. Though conceived as a performance automobile, the F12berlinetta is capable of both high speed and long-distance driving.

Grand Touring (GT) Cars

California T

The California T, which followed the great success of our 2008 California model, is equipped with a 560 hp V8 turbo engine. Launched in 2014, it is the only GT car in the segment to combine a retractable hard top, rear seats and a ski passage to the spacious trunk. Its new turbocharged V8 engine comes with a variable boost management system. This makes it the only turbo engine in the world with close to no turbo lag. It also features a revised rear and interior design and a 15 percent reduction in fuel consumption compared to its predecessor.

FF
Launched in 2011, the FF, our first four-wheel drive model, is equipped with a 660 hp V12 engine. Among its main innovations, the FF features the patented lightweight 4RM system, which transmits torque to all four wheels, thus allowing a 50 percent saving in weight compared to a traditional four-wheel drive system and a lower center of gravity to be maintained. Part of our GT class, the FF features an elegant two door, four seat sporting layout, and the best cabin and luggage space and occupant comfort in its class.

Special Series Cars

458 Speciale
The 458 Speciale was launched in 2013 and features a 605 hp V8 engine. It is aimed at clients willing to trade some on board comfort for a more track focused car. With a Ferrari-patented special active aerodynamics designed by the Ferrari Design Centre and Pininfarina, it is currently our most aerodynamic road car. Building on the integration of Formula 1 technology, on-track handling is enhanced by Ferrari's Side Slip Angle Control (SSC) system, which employs an algorithm to analyze the car's side slip, compare it to the car's projected trajectory and work with the electronic differential to instantly change the torque distribution between the rear wheels. The Speciale is available as a two seat coupe. We currently expect to stop producing the 458 Speciale by October 2015.

458 Speciale A
The 458 Speciale A (equipped with a 605 hp V8 engine) debuted at the 2014 Paris Auto Show and features the most powerful naturally aspirated V8 engine ever produced for a Ferrari spider. It is the latest variant of the 458 models, and celebrates the remarkable success of this line. It adopts the innovative retractable hard top that has become a signature of Ferrari spiders and features significantly improved combustion, mechanical and volumetric efficiency. The 499 models produced come as a two seat coupe. We currently expect to stop producing the 458 Speciale A by November 2015.

Limited Edition Supercars, Fuoriserie and One-Offs

LaFerrari
Launched in 2013, LaFerrari is the latest in our line of supercars. Planned for a total production run of just 499 cars, LaFerrari is our first car with hybrid technology. Alongside its powerful rear-wheel drive layout V12 engine (which generates 800 hp), the hybrid system comprises two electric motors and a special battery consisting of cells developed by the Scuderia Ferrari where the F138 KERS technology was pioneered. Because the battery generates an additional 163 hp, LaFerrari has a combined total of 963 hp. LaFerrari's HY-KERS system is designed to achieve seamless integration and rapid communication between the V12 and electric motor, thus blending extreme performance with maximum efficiency. Thanks to the hybrid technology, LaFerrari generates almost 50 percent more horsepower than the Enzo, its predecessor, and 220 hp more than the F12, our most powerful car to date. Acceleration: 0 to 200 km/h in less than 7 seconds. 0 to 300 km/h in 15 seconds.

F60 America
The F60 America, a V12 open air roadster, celebrates our 60 years in the United States and is available to U.S. clients only. It combines two of our American clients' great passions - the modified V12 engine and open-top driving. The exterior is finished in North American Racing Team livery, with special 60th anniversary prancing horse badges adorning the wheel arches. Inside, the F60America features bespoke cabin trim, with the driver's side finished in red and the passenger side in black - a nod to our historic competition cars. We have pre-sold ten F60s, with scheduled production and delivery between 2015 and 2016.

Sergio
The Sergio is a 605 hp V8 2-seater *barchetta* named after Sergio Pininfarina. The car celebrates the spirit and core values of the historic company on the 60th anniversary of its collaboration with Ferrari. The Sergio's performance and dynamics are designed for excellence even when pushed to the limits. Based on the 458 Spider, it retains the latter's technological content as well as all of the functional aspects of its cockpit. It is powered by the latest 605 hp model of

Ferrari's naturally aspirated 4,497 cubic centimeter V8 engine, which has won multiple categories of the International Engine of the Year award from Engine Technology International magazine in three of the last four years. This power unit also guarantees a 0 to 100 km/h acceleration in just three seconds. We produced six Sergio cars, all of which have been sold and will be dispatched to our clients by the end of 2015.

One-Offs

Finally, in order to meet the varying needs of our most loyal and discerning clients, we also from time to time produce one-off models. While based on the chassis and equipped with engines of one of the current range models for registration purposes, these cars reflect the exact exterior and interior design and specifications required by the clients, and are produced as a single, unique car.

Source: Ferrari prospectus.

Exhibit 3

Ferrari: The 2015 Initial Public Offering

Ferrari Income Statement (millions of euro)

	2012	2013	2014	First Half 2015
Sales				
Cars and Spare Parts (1)	1,695	1,655	1,944	1,007
Engines (2)	77	188	311	121
Sponsorship, Commercial and Brand (3)	385	412	417	212
Other (4)	69	80	91	46
Total Sales	2,225	2,335	2,762	1,387
Cost of Sales excluding Dep and Amort	961	964	1,217	592
Depreciation & Amortization Expense	238	270	289	130
Selling, General, and Admin. Expense	243	260	300	152
Research & Development	431	479	541	291
Other Operating Expense	17	-2	26	4
Operating Income (EBIT)	335	364	389	218
Net Financial Income (Expense)	-1	3	9	-27
Profit before Tax	335	366	398	191
Income Tax Expense	101	120	133	65
Net Profit	233	246	265	126
Capital Expenditures	258	271	330	151

(1) Includes the net revenues generated from shipments of our cars, including any personalization revenue generated on these cars and sales of spare parts.

(2) Includes the net revenues generated from the sale of engines to Maserati for use in their cars, and the revenues generated from the rental of engines to other Formula 1 racing teams

(3) Includes the net revenues earned by our Formula 1 racing team through sponsorship agreements and our share of the Formula 1 World Championship commercial revenues and net revenues generated through the Ferrari brand, including merchandising, licensing and royalty income.

(4) Primarily includes interest income generated by the Ferrari Financial Services group and net revenues from the management of the Mugello racetrack.

Source: Company prospectus.

Exhibit 4

Ferrari: The 2015 Initial Public Offering

Ferrari Balance Sheet (millions of euro)

	31-Dec-2013	31-Dec-2014	30-Jun-2015
Cash and cash equivalents	798	1,077	258
Trade receivables	206	184	154
Receivables from financing activities	863	1,224	1,181
Inventories	238	296	352
Other current assets	115	64	100
Total current assets	2,219	2,845	2,045
Investments and other financial assets	37	47	48
Deferred tax assets	42	112	149
Property, plant, and equipment	568	585	589
Intangible Assets (1)	242	265	283
Goodwill	787	787	787
Total assets	3,895	4,641	3,900
Trade payables	486	536	578
Current tax payables	104	110	182
Other current liabilities	475	774	836
Total current liabilities	1,065	1,420	1,595
Long-term debt	317	510	2,267
Other liabilities	197	233	239
Total equity	2,316	2,478	-201
Total liabilities and equity	3,895	4,641	3,900

(1) Costs incurred for car project development are recognized as asset following the conditions of IAS38. Capitalized development costs are amortized on a straight-line basis over the estimated life of the model (generally four to eight years).

Source: Company prospectus.

Exhibit 5

Ferrari: The 2015 Initial Public Offering

FCA Car Shipments by Brand (thousands of units)

	2013	2014
Mass-Market Vehicle Brands		
NAFTA (U.S., Canada, Mexico)	2,100	2,500
LATAM (Latin America)	900	800
APAC (Asia Pacific)	200	300
EMEA (Europe, Middle East, Africa)	1,100	1,200
Total	4,300	4,800
Maserati	20	40
Ferrari	7	7

Mass-market brands: Abarth, Alfa Romeo, Chrysler, Dodge, Fiat, Fiat Professional, Jeep, Lancia, and Ram.

Source: Created by author from data found in the FCA 2014 annual report.

Exhibit 6

Ferrari: The 2015 Initial Public Offering

Data for Comparable Companies (in millions of euros)

	Total Revenue	Capital Expend	EBITDA	Projected Growth Rate	Market Value of Equity	Total Debt	Cash
Auto Manufacturers							
BMW	80,401	6,099	16,426	6.1%	56,562	77,506	7,688
Daimler	129,872	6,307	18,514	6.9%	77,906	86,689	15,543
Fiat Chrysler	96,090	8,121	8,271	4.6%	18,657	33,724	23,601
Ford Motor	108,619	5,626	8,537	10.1%	52,925	98,484	25,743
General Motors	117,554	8,946	6,674	4.5%	46,554	38,710	24,391
Honda Motor	96,196	6,374	12,730	6.9%	51,128	52,483	11,427
Hyundai Motor	63,924	3,385	7,233	6.8%	33,631	40,802	19,547
Kia Motors	33,730	1,446	2,800	1.6%	16,977	3,535	5,502
Nissan Motor	82,101	11,432	10,879	6.2%	40,013	51,796	6,698
Peugeot	53,607	2,428	3,318	7.0%	12,230	21,914	10,521
Renault	41,055	2,703	3,967	8.9%	23,096	36,299	14,049
Tata Motors	33,811	4,100	5,647	5.5%	16,701	10,952	7,125
Tesla Motors	2,411	731	9	94.9%	26,400	2,051	1,590
Toyota Motor	196,622	24,233	30,260	3.2%	186,069	147,344	40,497
Volkswagen	202,458	16,613	23,048	3.5%	52,916	139,021	34,143
Luxury Brands							
Burberry Group	3,221	199	745	2.6%	7,691	90	865
Cie Financiere	10,410	708	2,902	3.1%	38,986	3,093	8,553
Hermes International	4,119	279	1,478	6.8%	35,297	41	1,481
LVMH Moet Hennessy	30,638	1,848	7,027	2.1%	80,731	9,243	4,648
Prada	3,552	362	954	1.9%	8,772	519	720
Tiffany & Co.	3,248	189	819	4.7%	9,125	989	648

Figures as of end of 2014, except Equity Value, which is as of October 2015. The projected growth rate is equal to the 5-year compound annual growth rate of operating profits from 2014 actuals to 2019 forecast.

Data source: FactSet; the projected growth rate is obtained based on Value Line Investment Survey (August–October 2015) and author estimates.

Exhibit 7

Ferrari: The 2015 Initial Public Offering

Selected Quotations from Analysts and Reporters

"Indications of interest [in Ferrari] have been high…with some reports stating that the deal could be as much as 10 times oversubscribed…The indications of interest and the valuation cited yesterday's media reports certainly confirm our thesis that Ferrari deserves a luxury goods stock multiple."

—Richard Hilgert, "Daimler AG," Morningstar Equity Research, October 1, 2015.

"Fiat wants its crown jewel to fetch a high price…yet this pricey offer, plus the burdens of maintaining Ferrari's specialness, could end up repelling investors…Though Ferrari's operating margin is higher than its peers, thanks to the high price of its products, it has been stuck between 14% and 16% since 2010….Ferrari shares are [pricey], at 36 times last year's earnings at the midpoint of their IPO range."

—Abheek Bhattacharya, "Ferrari IPO: Why This Engine Runs Too Rich," *Wall Street Journal*, October 20, 2015.

"Ferrari isn't geared to the auto cycle and has exceptionally high pricing power, with strong cash conversion and brand value. As such, we think it could also be valued in line with the top end of luxury goods companies."

—Alexander Haissl and Fei Teng, "European Auto OEMs," Credit Suisse, July 15, 2015.

"The Chief Executive of UBS recently…[said] that it was 'almost impossible to think that the Ferrari IPO can't be successful."

—FT reporters, "Red Faces as Banker Revs up Ferrari IPO," *Financial Times,* October 9, 2015.

"The demand for Ferrari shares has significantly surpassed the amount offered in the luxury sports carmaker's US IPO, and the final price might exceed the top end of the initial price range by 20%."

—"Ferrari IPO Demand Well Above Offer, Final Price Might Jump 20%," *SeeNews Italy*, October 19, 2015.

"We believe Ferrari will struggle as an independent entity given a lack of scale."

—Mike Dean, Alexander Haissl, and Fei Teng, "European Autos 2015 Outlook," Credit Suisse, January 9, 2015.

"Ferrari has pricing power, however, Ferrari's products sell at a similar price to comparable products. Ferrari is not "hard" luxury. Its products need updating and refreshing."

—George Galliers, Chris McNally, and Arndt Ellinghorst, "Ferrari," Evercore, November 16, 2015.

"In our view, the success and desirability of Ferrari's road cars lies precisely in their exclusivity. We do not think that Montezemolo arbitrarily imposed the 7,000 unit cap on Ferrari production back in May 2013, but rather that this represented the apex of the supply/demand price maximization equation…A decision to produce significantly more might drive Ferrari into lower and less rarefied segments where completion is much more acute from extremely well capitalized manufacturers."

—Stephen Reitman, Erwann Dagorne, and Philippe Barrier, "FCA—Analysing the Ferrari IPO and FCA Thereafter," Societe Generale, July 29, 2015.

Exhibit 8

Ferrari: The 2015 Initial Public Offering base case

Ferrari Forecast (millions of euro, except as noted)

Assumptions	2014	2015	2016	2017	2018	2019
Growth in Cars Shipped	3.6%	7.0%	5.0%	4.0%	4.0%	3.0%
Growth in Revenue/Car		5.0%	5.0%	5.0%	5.0%	5.0%
Growth in Engine Revenue		3.0%	3.0%	3.0%	3.0%	3.0%
Growth in Other Revenue		3.0%	6.0%	6.0%	6.0%	6.0%
Operating Margin—Cars	12.5%	13.0%	13.5%	14.0%	14.0%	14.0%
Operating Margin—Engines	9.1%	10.0%	10.0%	10.0%	10.0%	10.0%
Operating Margin—All Other Revenue	24.9%	25.0%	27.0%	28.0%	30.0%	30.0%
Net Working Capital Turnover	1.9	2.0	2.1	2.2	2.2	2.2
Net Fixed Asset Turnover	3.2	3.2	3.3	3.5	3.7	3.8
Deprec & Amort/PPE	34%	34%	34%	34%	34%	34%
Financial Forecast						
Car Shipments (000s)	7.26	7.76	8.15	8.48	8.82	9.08
Avg Revenue per Car (Euro 000s)	268	281	295	310	326	342
Car Revenue	1,944	2,184	2,408	2,629	2,871	3,105
Engine Revenue	311	320	330	340	350	361
All other Revenue	507	523	554	587	623	660
Total Revenue	2,762	3,027	3,292	3,556	3,844	4,126
Operating Profit—Cars	243	284	325	368	402	435
Operating Profit—Engines	28	32	33	34	35	36
Operating Profit—All Other Revenue	126	131	150	164	187	198
Total Operating Profit	398	447	508	567	624	669
Net Working Capital	1,425	1,513	1,568	1,617	1,747	1,875
Net PP&E and Int. Assets	851	932	998	1,016	1,039	1,086
Dep & Amort	289	317	339	345	353	369

Source: Created by author based on author estimates.

Exhibit 9

Ferrari: The 2015 Initial Public Offering

Capital Markets Data (October 19, 2015)

Government Bond Yields (Italy)	
1 year	0.23%
10 year	1.70%

Corporate Bonds	Euro
AAA	1.91%
AA	1.99%
A	2.30%
BBB	3.43%
BB	4.98%
B	6.79%

Exchange Rate	
USD/EUR	1.1375

Source: Created by author based on data from ADB Analisi Data Borsi, Merrill Lynch, and author estimates.