

# Peer Insights

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R E P O R T

## Q&A with Francois-Xavier Terny Founder of Vanguard Moto, Inc.

### Principle Series:

*Family Office Insights sits down with Francois-Xavier Terny, Founder of Vanguard Moto, Inc. ("Vanguard") to speak about his latest project and what makes his motorcycles different from others out there in the marketplace today.*



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## Q: Why did you start the Vanguard project?

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A: Ed and I are certainly passionate about motorcycles, but we realized that this is also an industry looking too much into its past and dominated by “stereotypes”, in the way motorcycles look and the way they are manufactured. Ed and I met in 2006 while we were both involved in the luxury motorcycle industry: Ed as designer and me as investor and board member. We were working on visually striking, but expensive machines. Yet I was not confident about the luxury segment as a sustainable business, due to the limited and fluctuating demand. Ed had great innovative ideas for new motorcycles and I knew because of my background in supply chain and cost optimization that outstanding motorcycles, in terms of design and quality, could be produced and sold at affordable prices in the premium segment.

Next came 2008 and the collapse of the motorcycle market. Our idea of offering incredible value at an affordable price became a recurrent discussion topic between Ed and I up until 2013, when it became clear to us that there was an opportunity in the premium market.

## Q: What is Vanguard?

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A: Vanguard is a premium motorcycle design and manufacturing company looking to disrupt the premium motorcycle market with a contemporary design and a modular assembly process. We are located in the Brooklyn Navy Yard where our bikes are designed and assembled. We have invested all-in-all close to \$2 million in our design and our first prototype and we are now raising \$10.7 million of capital to start production of the motorcycles.

## Q: What is different about your motorcycle?

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A: We're different in three specific ways.

First is the way it looks: structural engine, integrated exhaust system, integrated blinkers, touch pad, etc. It's a contemporary design yet acceptable, approachable and functional.

Second is the way it's built: much less parts than traditional motorcycles; modular assembly whereby you only need five bolts and three electric connections to assemble the motorcycle.

And lastly, the price point. We intend to sell our bike at \$30,000, which will represent a value shock in the industry when compared to the existing high-end products of incumbent brands.

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**Q:** Why not develop an electric motorcycle?

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**A:** Others have tried and the battery technology for large motorcycles is simply not there. However, our DNA is in innovative design and integration of the best technologies the market has to offer. So you can be sure that we will be at the forefront of e-motorcycles once the technology is ready. Until then, we are looking at a range of products to complement our motorcycle and we will offer to our customers an e-bike (very light vehicle using a German battery technology) in the near future.

**Q:** Can you share with us some insights into the premium motorcycle market space? Where does your opportunity lie

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**A:** The premium motorcycle segment is a \$3 billion market worldwide characterized by growth, high margin and resilience. There are about 100,000-plus motorcycles sold worldwide with North America representing about 40% of demand. The price range in that segment is \$25,000 to \$40,000. We think that the opportunity is not properly addressed by the incumbents who essentially “soup up” their mass models to sell them at a premium. We are convinced that there is a place in the market for a new American motorcycle alongside Harley Davidson and Indians. We are equally convinced that our motorcycle will be perceived as a strong value by the market.

**Q:** How was the project received by the industry?

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**A:** We obtained early buy-in from the top suppliers in the industry like Pirelli, Brembo, Bosch, Ohlins, etc. which provide Vanguard with OEM pricing and terms, making our target price of \$30,000 possible. We also presented our project to some competitors who recognized that Vanguard has accomplished in less than three years what their organizations could not have done in five years, and that we did it at a fraction of the cost.

**Q:** Which dealers will have access to the brand once it's established?

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**A:** We will target multi-brand dealers which sell European and Asian brands. We will offer them access to something they don't have access to: an American motorcycle and a premium motorcycle at the same time. Harley Davidson and Indian are distributed mostly through exclusive dealers. We will sell exclusively through dealers.

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**Q:** How much capital are you looking to raise?

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**A:** We are raising \$10.7 million in series A equity. This \$10.7 million equity raise will cover capital expenditures (57%), operating expenses (30%) and marketing budget (13%) for the next two and half years. We intend to sell 100 motorcycles in the first year and 400 motorcycles in the second year.

We have a low breakeven point at 480 motorcycles produced a year. In our base case, the \$10.7 million of equity raised would bring us to a point where we could fund the growth of the company through cash from operations and debt, thus limiting the need for further dilution for the equity holders. Our objective is to sell 3,000 motorcycles a year within 6 years.

**Q:** What's next for Vanguard?

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**A:** Our pre-orders have started and we're in the midst of our official public and media launch. Our world premier will take place at the New York motorcycle show on December 9<sup>th</sup>. But please get in touch with me, should you wish to organize a private viewing at our Brooklyn Navy Yard facility.





***Francois-Xavier Terny***

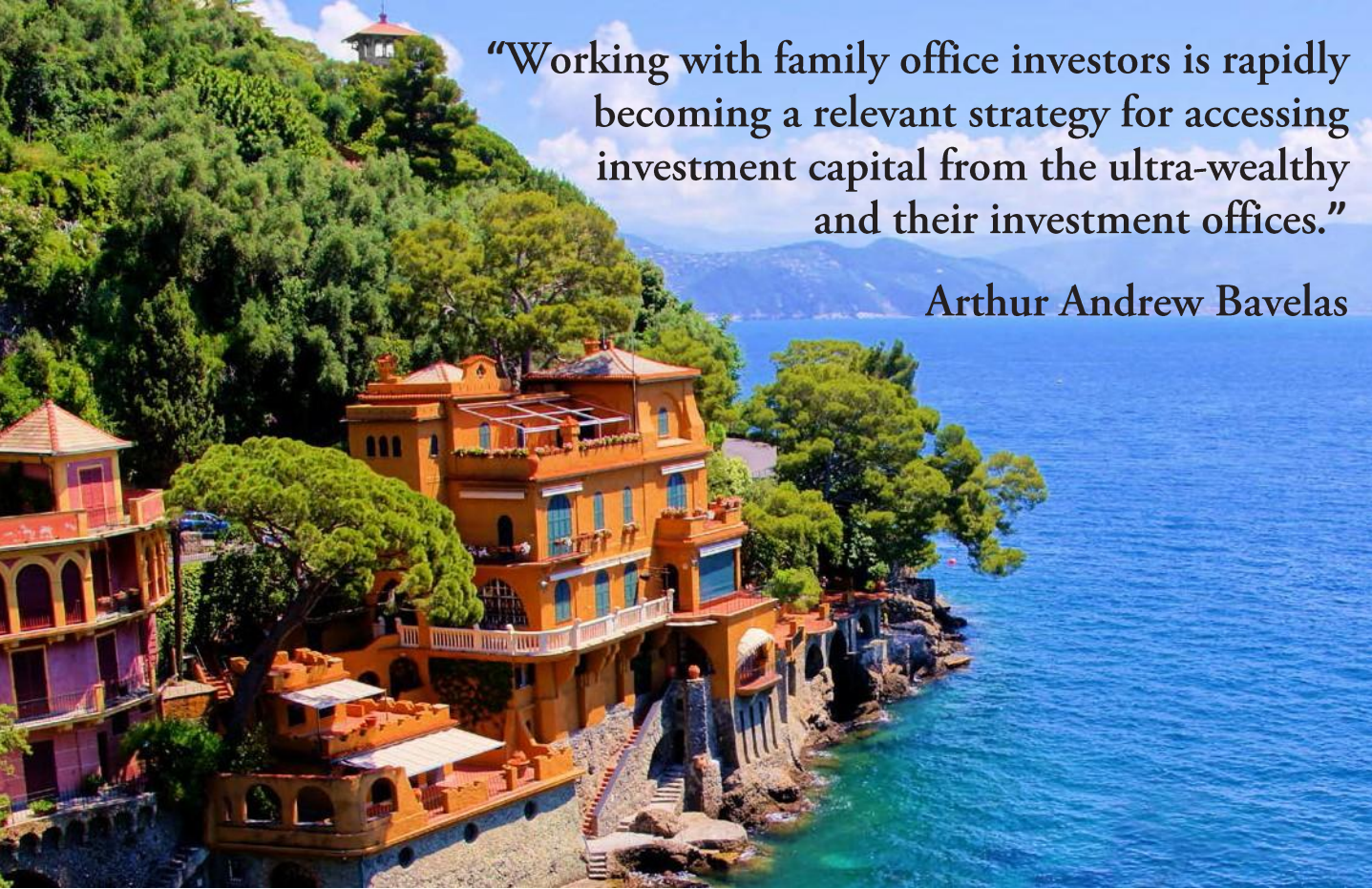
*Francois-Xavier Terny began his professional career in 1991 with Bain & Company, and then created his own consulting firm, Masai, in 1996 as a firm specializing in industrial cost optimization. In 2006, having reached \$25m with 100 professionals in 12 offices in Europe, US, Japan, China and India, he accepted a competitor's offer. Since then, he has been a Board advisor, General Manager and Investor to various companies, until 2010. He worked in Private Equity, at newly established family office in NYC before co-founding Vanguard mid-2013. For more information, please email Francois-Xavier Terny at [fxtemy@vanguard.nyc](mailto:fxtemy@vanguard.nyc).*



[www.vanguard.nyc](http://www.vanguard.nyc)



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**“Working with family office investors is rapidly becoming a relevant strategy for accessing investment capital from the ultra-wealthy and their investment offices.”**

**Arthur Andrew Bavelas**