



[www.collectors.com](http://www.collectors.com)

NASDAQ: CLCT

Recent Price: 2 <sup>27</sup>/<sub>64</sub>

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of the

INVESTMENT ANALYSIS GROUP



## Business Description

Collectors Universe is a leading full-service provider of value-added services to dealers and collectors of coins, sportscards, sports memorabilia, rare currency and rare records.

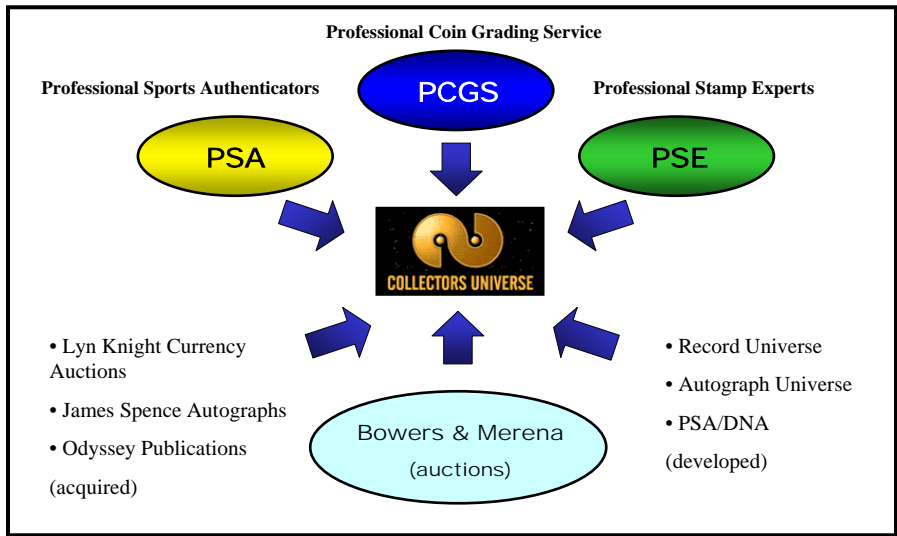
- authenticates and grades the quality of coins and sportscards
- authenticates autographs and memorabilia
- compiles and publishes authoritative information about collectibles
- conducts collectibles auctions

At [www.collectors.com](http://www.collectors.com), collectors and dealers can:

- access authoritative information on collectibles
- buy and sell collectibles at its auctions.



# Business Structure



# Products



## Competition

Not too many competitors in this business due to:

- high barriers to success
  - high brand recognition
- ➔ Like Moody's and S&P in Bond Rating Market

### Coins:

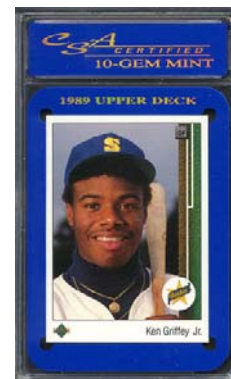
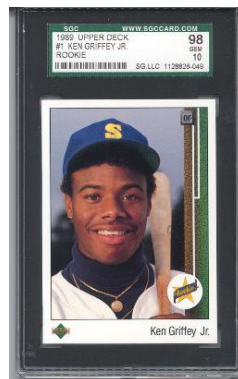
- Numismatic Guaranty Corporation of America Inc.
- ANACS, a subsidiary of Amos Press, Inc.

### Sportscards:

- Beckett (BGS)
- Certified Sports Authentication (CSA)
- Sportscard Guarantee L.L.C. (SGC)



## Comparing Competition



## PSA Pricing Power

**Card:** 1989 Upper Deck Ken Griffey Jr

Similar Grade: **PSA 10** SGC 98 CSA 10 BGS 10

Recent Price: **~\$2,200** ~\$1,300 ~\$600 N/A

**Card:** 1997 Masters Collection Tiger Woods

Similar Grade: **PSA 9** SGC 96

Recent Price: **~\$6,000** ~\$1,600

**PSA is AWESOME!**



## How crazy is this market?

In 1999:

Bowers and Merena auctioned the 1804 Childs Silver Dollar for \$4.1 million, the highest price at which a U.S. Coin has been sold at auction.

Lyn Knight Currency Auctions holds the record for the highest gross auction sales for US Currency at \$6.5 million.

Good Rockin' Tonight auctioned The Beatles "Butcher" album cover for \$38,000, the highest price at which a rare record has ever been sold at auction.

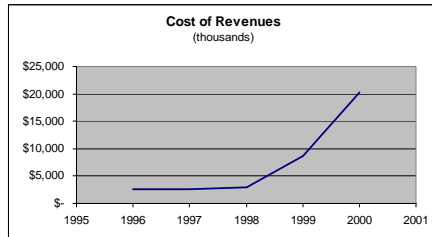
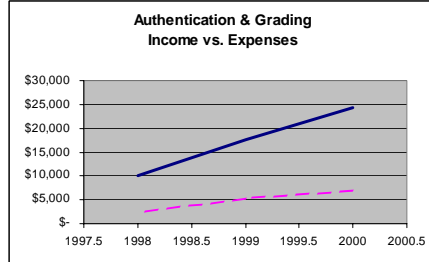
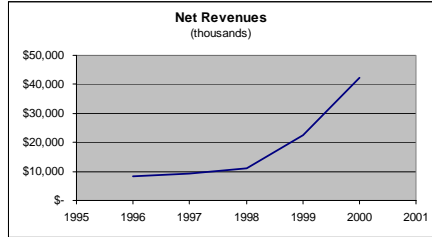
### SPORTSCARDS:

1986 Michael Jordan  
Fleer Sticker (rookie) **\$22,601.01 for PSA 10**

1997 Tiger Woods  
Masters Collection **\$6,050.00 for PSA 9**



## Financial Data



Expense as % of Fees	28.14%	29.70%	22.66%
Gross Margin	71.86%	70.30%	77.34%

This Year:

Net Revenues	\$42,374
Growth	87.80%
Avg. Growth (5 years)	38.11%

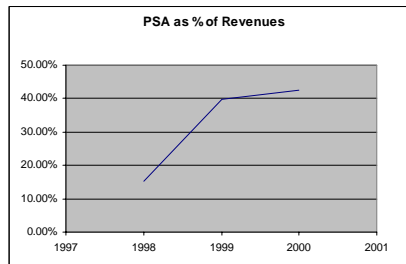
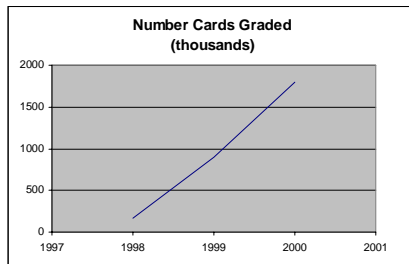
Net Income	\$ 1,542
Growth	34.09%
Avg. Growth (5 years)	21.43%



## Significance of PSA

Unanimous LEADER in this segment

Recognized Standard for Card Grading



## Growth Potential

The high-end collectibles market will continue to grow because:

- Increased nostalgia for memorabilia
- Increase in leisure and disposable income
- Desirability of owning collectibles
- Investor confidence that collectibles will appreciate in value

Convenience and efficiency of the **Internet** will stimulate further growth  
 EBAY – one of its largest markets is sports collectibles especially trading cards.

Growing need to STANDARDIZE in order to trade (create market)



## Importance of Grading

<b>Card:</b>	<b>1989 Upper Deck Ken Griffey Jr</b>			
Grade:	<b>PSA 10</b>	PSA 9	PSA 8	Ungraded (mint)
Recent Price:	<b>~\$2,200</b>	~\$230	~\$80	~\$100
<b>Card:</b>	<b>1997 Masters Collection Tiger Woods</b>			
Grade:	<b>PSA 10</b>	PSA 9		
Recent Price:	<b>\$30,000+</b>	~\$6,000		

**Grading is VERY Important**



## Valuation

Using a Free Cash Flow to Equity Model: \$1.94

Vs.

Recent Price: \$2.42



Model highly sensitive since stock price is LOW



I used a conservative growth rate of 30% for  
**ONLY 5 Years**



**COMPANY has an EXIT STRATEGY**



## Exit Strategy

### Potential Buyout Target

Likely Bidders:	Market Cap.
Yahoo	\$32,000 million
Ebay	\$15,000 million
Amazon	\$10,000 million
Collectors Universe	\$60 million

**Or less than 1% of AMZN**



**POSITIVE CASH FLOW!!!**



## Why Collectors Universe

- Enormous Potential Market
- High Margins
- Less well-known by investment community
- Potential Buyout target
- Low stock price → HIGH Upside
- Buyout Price AT LEAST \$4.50 = potential 80% appreciation

