

Collector's Universe (CLCT)

Price:	\$11.61
Market Cap:	\$98,568,900
Cash:	\$17,460,000
Debt:	\$0
Net Cash:	\$17,460,000
Enterprise Value:	\$81,108,900

Shares Outstanding: 8,490,000

Net Tang. Bk Value Incl. Cash (NTBVIC):	\$19,320,000.00
Market Price/NTBVIC:	5.10
Op. Cash Flow:	\$7,452,500
Implied Years to Fill Gap:	10.63
Implied Today's Equity:	\$56,582,500
Net Tang. Book+5 FCF+ Gain Disposition:	
IRR:	

Net Tang. Book Yr. 5 (Inc. Cash):
Avg. Year FCF/Share:
Year 5 Disposition FCF Multiple:
Year 5 Disposition Price:

Target Market Cap:
Target Enterprise Value:

Overview

The co. authenticates coins, trading cards and autographs on a per/item fee basis.

The co. hired 27 coin (1,974,000 coins in 2012; 73,000/expert; roughly 300 coins/day) , 15 card (1,111,500 cards in 2012; 74,000/expert; 300 cards/day) experts (335,900 autographs in 2012; 67,000/expert; roughly 300 autographs/day). They only penetrated 10% of the entire market, and top 5 customer 12% of revenue.

Financials/Valuation

The co. averaged \$8MM in FCF. The dividend yield is ~11% so just sitting on the investment will yield a good return. However, we believe the co. is overvalued.

The co. is generating tons of cash off a small asset base, and for that matter, a small equity base. The co. generates about \$10MM in op cash flow, \$1MM capex and the remaining \$9MM is returned to investors as a dividend off a \$20MM net tangible book value, or a \$5MM net tangible book value excluding debt. The co. is returning more to investors through dividends than what they record as Net Income on an accounting basis, so that is why retained earnings is negative.

¹ 2012 10K Filing

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SN VALUATION

LBO Pro Forma Income Statement

Name:

Collector's Universe

Ticker:

CLCT

	Historical				Forecasted				
	12 months ending 2009-06-30	12 months ending 2010-06-30	12 months ending 2011-06-30	12 months ending 2012-06-30	2013	2014	2015	2016	2017
Revenue	35.91	39.77	44.43	48.36	50.78	53.32	55.98	58.78	61.72
COGS	16.39	15.59	17.25	19.40	20.31	21.33	22.39	23.51	24.69
Gross margin	19.52	24.18	27.18	28.96	30.47	31.99	33.59	35.27	37.03
SG&A	15.92	15.19	17.53	19.80	20.82	21.86	22.95	24.10	25.31
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.65	0.00	1.37	0.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Excluded from COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	2.95	8.99	8.28	9.16	9.65	10.13	10.64	11.17	11.73
Interest income/(expense)	0.29	0.08	0.10	0.10	0.21	0.21	0.21	0.21	0.21
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.01	0.03	-0.01	-0.02	0.00	0.00	0.00	0.00	0.00
Income before tax	2.39	8.47	8.38	9.24	9.86	10.34	10.85	11.38	11.94
Tax	1.19	-8.33	3.34	2.42	3.45	3.62	3.60	3.96	4.18
Income after tax	1.20	16.80	5.04	6.82	6.41	6.72	7.05	7.40	7.76
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	1.20	16.80	5.04	6.82	6.41	6.72	7.05	7.40	7.76
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.14	\$1.98	\$0.59	\$0.80	\$0.75	\$0.79	\$0.83	\$0.87	\$0.91
P/E (historical today's price; forecasted intrinsic price)	82.14	5.87	19.56	14.45	14.98	13.92	12.93	12.00	11.15
Revenue Growth	N/A	10.75%	11.72%	8.85%	5.00%	5.00%	5.00%	5.00%	5.00%
Tax Rate	49.79%	-98.35%	39.86%	26.19%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	0.00%	0.00%	0.00%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	45.64%	39.20%	38.83%	40.12%	40.00%	40.00%	40.00%	40.00%	40.00%
Gross margin	54.36%	60.80%	61.17%	59.88%	60.00%	60.00%	60.00%	60.00%	60.00%
SG&A	44.33%	38.19%	39.46%	40.94%	41.00%	41.00%	41.00%	41.00%	41.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	1.81%	0.00%	3.08%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Excluded from COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	8.21%	22.60%	18.64%	18.94%	19.00%	19.00%	19.00%	19.00%	19.00%
Interest income/(expense)	0.81%	0.20%	0.23%	0.21%	0.42%	0.40%	0.38%	0.36%	0.34%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.03%	0.08%	-0.02%	-0.04%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	6.66%	21.30%	18.86%	19.11%	19.42%	19.40%	19.38%	19.36%	19.34%
Tax	3.31%	-20.95%	7.52%	5.00%	6.80%	6.79%	6.78%	6.78%	6.77%
Income after tax	3.34%	42.24%	11.34%	14.10%	12.62%	13.24%	13.89%	14.57%	15.28%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	3.34%	42.24%	11.34%	14.10%	12.62%	12.61%	12.60%	12.58%	12.57%

SN VALUATION

LBO Adjusted Proforma Balance Sheet

						Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2009-06-30	As of 2010-06-30	As of 2011-06-30	As of 2012-06-30	As of 2012-12-31	+	-						
Cash	23.87	20.32	21.93	21.21	17.46			17.46	23.73	30.36	37.36	44.75	52.56
Short term investment	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	23.87	20.32	21.93	21.21	17.46			17.46	23.73	30.36	37.36	44.75	52.56
Accounts Receivable	1.25	1.25	1.53	1.79	2.00			2.00	2.00	2.00	2.00	2.00	2.00
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	1.25	1.25	1.53	1.79	2.00			2.00	2.00	2.00	2.00	2.00	2.00
Total Inventory	0.50	0.71	1.44	2.27	1.89			1.89	1.89	1.89	1.89	1.89	1.89
Prepaid Expenses	0.87	0.92	0.96	0.81	0.96			0.96	0.96	0.96	0.96	0.96	0.96
Other Current Assets	0.31	4.51	1.85	1.35	1.36			1.36	1.36	1.36	1.36	1.36	1.36
Current Assets	26.80	27.71	27.71	27.43	23.67	0.00	0.00	23.67	29.94	36.57	43.57	50.96	58.77
PP&E, Gross	6.29	6.62	7.00	8.00	8.00			8.00	9.00	10.00	11.00	12.00	13.00
Change in Depreciation		0.99	0.77	0.82	0.82			0.82	0.86	0.90	0.95	1.00	1.05
Accumulated Depreciation	5.11	5.48	5.70	6.00	6.00			6.00	6.86	7.77	8.71	9.71	10.76
PP&E, Net	1.18	1.14	1.30	2.00	2.00			2.00	2.14	2.23	2.29	2.29	2.24
Goodwill	2.63	2.83	2.08	2.08	2.08	0.00		2.08	2.08	2.08	2.08	2.08	2.08
Intangibles	2.78	2.18	1.15	1.79	1.67			1.67	1.67	1.67	1.67	1.67	1.67
Long term investments	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	0.26	4.49	4.21	3.33	3.44			3.44	3.44	3.44	3.44	3.44	3.44
Long Term Assets	6.85	10.64	8.74	9.20	9.19			9.33	9.42	9.48	9.48	9.48	9.43
Total Assets	33.65	38.35	36.45	36.63	32.86	0.00	0.00	32.86	39.27	45.99	53.04	60.44	68.20
Accounts Payable	1.05	1.43	1.39	1.62	1.62			1.62	1.62	1.62	1.62	1.62	1.62
Accrued Expense	2.69	3.00	3.80	4.38	4.38			4.38	4.38	4.38	4.38	4.38	4.38
Other current Liabilities	4.02	3.05	3.29	3.32	4.29			4.29	4.29	4.29	4.29	4.29	4.29
Total Current Liabilities	7.76	7.78	8.48	9.32	10.29	0.00	0.00	10.29	10.29	10.29	10.29	10.29	10.29
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Income tax	0.21	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	3.53	3.29	2.97	2.59	1.17			1.17	1.17	1.17	1.17	1.17	1.17
Total Liabilities	11.50	11.07	11.45	11.91	11.46	0.00	0.00	11.46	11.46	11.46	11.46	11.46	11.46
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	0.01	0.01	0.01	0.01	0.01		0.00	0.01	0.01	0.01	0.01	0.01	0.01
Additional Paid-in capital	75.96	68.13	70.40	73.68	74.14	0.00	0.00	74.14	74.14	74.14	74.14	74.14	74.14
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	-51.19	-40.53	-45.34	-49.16	-53.08		0.00	-53.08	-46.67	-39.95	-32.90	-25.50	-17.74
Treasury Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	24.78	27.61	25.07	24.53	21.07	0.00	0.00	21.07	27.48	34.20	41.25	48.65	56.41
Liability + Equity	36.28	38.68	36.52	36.44	32.53	0.00	0.00	32.53	38.94	45.66	52.71	60.11	67.87
Variance	-2.63	-0.33	-0.07	0.19	0.33			0.33	0.33	0.33	0.33	0.33	0.33
Debt/Equity	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	71.82	56.01	30.85	21.30	26.87			25.59	26.87	28.21	29.62	31.10	32.66
Inventory Turnover Days	5.08	6.52	11.83	17.13	13.59			14.26	13.59	12.94	12.32	11.74	11.18
Days Inventory Outstanding	11.13	16.62	30.47	42.71	33.96			35.56	33.96	32.35	30.81	29.34	27.94
Accounts Receivable Turnover	28.73	31.82	29.04	27.02	25.39			24.18	25.39	26.66	27.99	29.39	30.86
Accounts Receivable Turnover Days	12.71	11.47	12.57	13.51	14.38			15.10	14.38	13.69	13.04	12.42	11.83
Days Payable Outstanding	23.38	33.48	29.41	30.48	29.11			30.48	29.11	27.73	26.41	25.15	23.95
Days Sales Outstanding	12.71	11.47	12.57	13.51	14.38			13.51	15.10	14.38	13.69	13.04	12.42
Cash Conversion Cycle	0.46	-5.38	13.63	25.74	19.23			18.59	19.95	19.00	18.09	17.23	16.41
Net tangible assets/share	\$2.30	\$2.88	\$2.70	\$2.67	\$2.28				\$3.03	\$3.82	\$4.65	\$5.52	\$6.44

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LBO Adjusted Proforma Cash Flow

	12 months ending 2009-06-30	12 months ending 2010-06-30	12 months ending 2011-06-30	12 months ending 2012-06-30	2011	2012	2013	2014	2015
Net Income	-16.92	16.70	5.12	6.75	6.41	6.72	7.05	7.40	7.76
Depreciation	1.40	0.99	0.77	0.82	0.86	0.90	0.95	1.00	1.05
Net Income + Depreciation	-15.52	17.69	5.89	7.57	7.27	7.63	8.00	8.39	8.81
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	1.17	-8.44	3.45	1.84	0.00	0.00	0.00	0.00	0.00
Non Cash Items	13.17	-0.19	2.46	1.82	0.00	0.00	0.00	0.00	0.00
Change in Working capital	0.42	0.16	-1.23	-0.45	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	0.00	-0.25	-0.26	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	-0.21	-0.73	-0.83	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-0.05	-0.04	0.15	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.38	-0.04	0.23	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	-0.76	9.22	10.57	10.78	7.27	7.63	8.00	8.39	8.81
Capital Expenditures Expenditures	-0.38	-0.51	-0.65	-1.30	-1.00	-1.00	-1.00	-1.00	-1.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	4.08	2.47	0.49	-0.42	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	3.70	1.96	-0.16	-1.72	-1.00	-1.00	-1.00	-1.00	-1.00
Financing Cash flow items	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-2.09	-5.94	-9.94	-10.36	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-0.32	-8.79	1.14	0.57	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-2.41	-14.73	-8.80	-9.79	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	23.34	23.87	20.32	21.93	17.46	23.73	30.36	37.36	44.75
Net Change in Cash	0.53	-3.55	1.60	-0.71	6.27	6.63	7.00	7.39	7.81
Ending Cash Balance	23.87	20.32	21.92	21.22	23.73	30.36	37.36	44.75	52.56
Capex to Revenue	1.06%	1.28%	1.46%	2.69%	1.97%	1.88%	1.79%	1.70%	1.62%
Depreciation to Sales	3.90%	2.49%	1.73%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	3.48%	3.14%	3.44%	3.70%	3.53%	3.36%	3.20%	3.05%	2.90%
Distributable FCF Yield	3.62%	13.78%	12.83%	11.17%	7.73%	8.17%	8.63%	9.12%	9.63%
Dividend Yield	-2.12%	-6.03%	-10.08%	-10.51%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing-Dividends)	0.95	14.65	19.86	19.84	6.27	6.63	7.00	7.39	7.81

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LBO Debt Schedule

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	-0.71	6.27	6.63	7.00	7.39	7.81
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	0.00	0.00	0.00	0.00	0.00	0.00
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%
Interest Expense		0.00	0.00	0.00	0.00	0.00
Cash Balance		21.21				
Interest @ 1.0%		0.21	0.21	0.21	0.21	0.21
Net Interest Expense/(Income)		(0.21)	(0.21)	(0.21)	(0.21)	(0.21)
Net Interest Rate		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA		9.65	10.13	10.64	11.17	11.73
EBITDA/Interest Expense Coverage		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Interest Rate Coverage Table

Debt Rating	2013	2014	2015	2016	2017
AAA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
AA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
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BBB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CCC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
C	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
D	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Collector's Universe

Ticker:

CLCT

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	19.04	19.93	19.23	13.38	19.65	26.28	33.28	40.67	48.48
Total Assets	33.65	38.35	36.45	32.86	39.27	45.99	53.04	60.44	68.20
X1	0.57	0.52	0.53	0.41	0.50	0.57	0.63	0.67	0.71
Retained Earnings	-51.19	-40.53	-45.34	-53.08	-46.67	-39.95	-32.90	-25.50	-17.74
Total Assets	33.65	38.35	36.45	32.86	39.27	45.99	53.04	60.44	68.20
X2	-1.52	-1.06	-1.24	-1.62	-1.19	-0.87	-0.62	-0.42	-0.26
EBITDA	2.95	8.99	8.28	9.16	9.65	10.13	10.64	11.17	11.73
Total Assets	33.65	38.35	36.45	32.86	39.27	45.99	53.04	60.44	68.20
X3	0.09	0.23	0.23	0.28	0.25	0.22	0.20	0.18	0.17
Market Value of Equity	98.57	98.57	98.57	98.57	96.03	93.56	91.15	88.80	86.52
Total Liabilities	11.50	11.07	11.45	11.46	11.46	11.46	11.46	11.46	11.46
X4	8.57	8.90	8.61	8.60	8.38	8.16	7.95	7.75	7.55
Net Sales	35.91	39.77	44.43	48.36	50.78	53.32	55.98	58.78	61.72
Total Assets	33.65	38.35	36.45	32.86	39.27	45.99	53.04	60.44	68.20
X5	1.07	1.04	1.22	1.47	1.29	1.16	1.06	0.97	0.90
Altman Z Score	5.05	6.30	6.03	5.78	6.07	6.25	6.37	6.45	6.49

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red