

Sotheby's (BID)

Price:	\$35.99
Market Cap:	\$2,439,402,200
Cash:	\$585,770,000
Debt:	\$455,400,000
Net Cash:	\$130,370,000
Enterprise Value:	\$2,309,032,200
Target Market Cap:	\$2,329,894,509
Target Enterprise Value:	\$2,199,524,509

Price/Book:	2.61
EV/FCF:	5.98
Net Tang. Asset/Share:	\$9.39
Avg. Year 1-5 FCF/Share:	\$2.35
5 Years of FCF:	\$11.77
Net Tang. Asset+5 FCF:	\$21.16

Net Tang. Asset Yr. 5/Share:	\$22.61
Avg. Year FCF/Share:	\$2.35
Year 5 Disposition FCF Multiple:	5.0
Year 5 Disposition Price:	\$34.37
Gain Year 5:	\$13.21

Net Tang. Asset+5 FCF+ Gain Disposition:	\$34.37
IRR:	-0.91%

Assumed Deal Details

Debt	60.00%	\$1,463,641,320
Equity	40.00%	\$975,760,880
Shares Outstanding		67,780,000

Levered Return

New market cap in 5 years	\$2,329,894,509
Nominal Gain for Equity	-\$109,507,691
Levered Equity Return	-2.35%

One of 2 of the largest art dealers in the world. They auction and finance art deals, related to paintings, precious jewels, sculptures, etc. The other dealer house is Christies, and these 2 are the dominant, prestigious co.s where global auctions take place. The brand, and actual operations guarantee continued operation for years to come.

The co. generates revenue mainly from auctions, where they sell art to the highest bidder. The co. guarantees a min. price for certain items and they have to pay the difference, if it falls below the minimum. If it fetches a higher price, the co. takes a cut of the gain.

Gross margin is really high at 89%. The co. can pay employees well and provide highest quality service with such high margins. The co. generates a respectable FCF yield of 6% or a FCF yield on asset of 10%, excluding cash and equivalents.

LTV 64% \$267MM in loans, which generated interest of 5%.

Cost is really fixed cost + variable which is a direct function of the auction activity.

The growth catalyst is China, growing revenue from \$50MM in 2009 to \$150 MM in 2011.

We really wanted to buy this stock: great moat, great brand, strong business model, growth catalyst in China.

However, it is too expensive. *Sigh

Sotheby's (or, "the Company") is one of the world's two largest auctioneers of authenticated fine and decorative art, jewelry and collectibles (collectively, "art" or "works of art" or "artwork" or "property"). In 2011, Sotheby's accounted for approximately \$5 billion, or 51%, of the total aggregate auction sales of the two major auction houses within the global auction market.

Sotheby's operations are organized under three segments: Auction, Finance and Dealer. Sotheby's Auction segment functions principally as an agent by offering works of art for sale at auction and by brokering private sales of artwork. Sotheby's also operates as a dealer in works of art through its Dealer segment, conducts art-related financing activities through its Finance segment and is engaged, to a lesser extent, in brand licensing activities. A more detailed explanation of the activities of each of Sotheby's segments, as well as its brand licensing activities, is provided below.

Company Name:		Sotheby's			Income Statement		
Ticker Symbol:		BID	Market Capitalization:	\$2,439,402,200.00	Revenue:	\$761,620,000.00 100.0%	
Last Price:		\$35.99	Total Debt:	\$455,400,000.00	Cost of Goods Sold:	\$23,030,000.00 3.0%	
Net Cash/Share:		\$1.92	Total Cash:	\$585,770,000.00	Gross Profit:	\$738,590,000.00 97.0%	
Net Cash to Last Price:		5.34%	Net Cash/(Debt):	\$130,370,000.00	EBITDA:	\$227,100,000.00 29.8%	
Shares Outstanding:		67,780,000	Enterprise Value:	\$2,309,032,200.00	Net Income:	\$112,680,000.00 14.8%	
Industry:		Specialty Retail	Current EV/Share:	\$34.07			
Sector:		Consumer Cyclical	EBITDA:	\$305,140,000.00	Balance Sheet		
			EV/EBITDA Multiple:	7.57	Cash:	\$585,770,000.00	
Institutional Ownership:		#VALUE!	EV/EBITDA Multiple Average Year 1-5:	7.24	Short Term Investment:	\$0.00	
Mutual Fund Ownership:		#VALUE!	EV/FCF Multiple (excluding acquisition):	5.98	A/R:	\$441,320,000.00	
Insider Ownership:		#VALUE!	EV/FCF Multiple Average Year 1-5 (excluding acquisition):	14.47	PP&E:	\$400,000,000.00	
Retail Ownership:		#VALUE!	Upper Range			Assets:	\$1,944,320,000.00
Float:		#VALUE!	DCF: EV/EBITDA Terminal Value			A/P:	\$0.00
			Implied TV from 3 X EV/EBITDA Multiple	\$1,051,045,434.40	Deferred Tax:	\$2,830,000.00	
Technicals			Enterprise Value	\$1,051,045,434.40	Other Liabilities:	\$834,830,000.00	
52 week low:		Error	Cash at Year 5:	\$1,383,459,087.02	Short term Debt:	\$255,400,000.00	
Today from 52 week low:		#VALUE!	Debt at Year 5:	\$455,400,000.00	Long Term Debt:	\$200,000,000.00	
52 week high:		Error	Equity Value Year 5:	\$1,979,104,521.42	Liabilities:	\$1,293,060,000.00	
Today from 52 week high:		#VALUE!	Equity/Share at Year 5:	\$29.20	Retained Earnings:	\$627,090,000.00	
50 day Moving Average:		Error	Annualized Return:	-4.10%	Paid-In Capital:	\$363,240,000.00	
200 day Moving Average:		Error	Lower Range			Treasury Stock:	\$0.00
			DCF: Net Tangible Asset excluding Cash/Debt Terminal Value			Stockholder's Equity:	\$936,410,000.00
Analyst/Consensus			Year 5 Net Tangible Assets excluding cash and debt	\$318,920,000.00	Cash Flow		
Analyst Sales Growth FY1:		-9.10%	Enterprise Value	\$318,920,000.00	Net Income:	171,420,000.00	
Analyst Sales Growth FY2:		5.90%	Cash at Year 5:	\$1,383,459,087.02	Depreciation/Amortization:	17,600,000.00	
SN Valuation Estimate FY1:		5.00%	Debt at Year 5:	\$455,400,000.00	Change in Working capital:	186,730,000.00	
SN Valuation Estimate FY2:		5.00%	Equity Value Year 5:	\$1,246,979,087.02	Cash from Operating Activities:	402,980,000.00	
Analyst Earnings Estimate FY1:		\$1.73	Equity/Share at Year 5:	\$18.40	Capital Expenditures:	-17,110,000.00	
Analyst Earnings Estimate FY2:		\$2.16	Annualized Return:	-12.56%	Cash from Investing Activities:	50,080,000.00	
SN Valuation Earnings Est. FY1:		\$2.36	EVA			Total Cash Dividends Paid:	-14,850,000.00
SN Valuation Earnings Est. FY2:		\$2.49	EVA today:	\$1,011,393,994.89	Issuance (Retirement) of Stock:	2,570,000.00	
			EVA in 5 Years:	\$1,728,337,163.62	Issuance (Retirement) of Debt:	-21,190,000.00	
Multiples			EVA/Share:	\$25.50	Cash from Financing Activities:	-45,070,000.00	
Market Value to Book:		2.61	Cash at Year 5:	\$1,383,459,087.02	Profitability Margins		
EV to Book:		2.47	Debt at Year 5:	\$455,400,000.00	Debt to Equity:	48.63%	
Market Value to Tangible Net Assets:		-16.75	Equity Value Year 5:	\$2,656,396,250.64	Return on Assets:	8.82%	
P/E Ratio:		21.65	Equity/Share at Year 5:	\$39.19	Return on Capital:	12.32%	
Trailing P/E Ratio:		21.96	Annualized Return:	11.31%	Return on Equity:	18.31%	
Forward P/E Ratio:		16.74	Current Net Tangible Asset				
Beta:		Error	Net Tangible Asset/Share:	\$9.39			
Dividend:		0.4	Net Tangible Asset/Share in Year 5:	\$22.61			
Dividend Yield:		1.11%	Annualized return	19.20%			
Dividend Date:		Dec 30, 2012	Current Equity Price:	\$35.99			
Ex-Dividend Date:		Dec 21, 2012	Selling at Discount?	Premium			
			Appreciation Potential:	-73.90%			
Competitors			Dividend Model				
Average EV to EBITDA:		N/A	Next Year Dividend	\$30,880,960.16			
Company EV to EBITDA:		7.57	WACC:	9.91%			
			Dividend:	\$27,112,000.00			
Average EV to EBIT:		N/A	Net Income:	\$112,680,000.00			
Company EV to EBITA:		8.55					

SN VALUATION

LBO Analysis

WACC Terminal Value:	N/A	Intrinsic Price in 5 Years:	31.58	Non-LBO Forecast	Non-LBO Forecast
EV/EBITDA with 3X Multiple Terminal Value:	\$29.20	Market Price:	35.99	Year 1 Target	35.06
Net Tangible Asset Terminal Value:	\$18.40	LBO Price:	35.99	Year 2 Target	34.16
EV/EBITDA with Today's Multiple Terminal Value:	\$39.54	Premium to Market Price:	0.00%	Year 3 Target	33.28
EVA Enterprise Value:	\$39.19	LBO Price/Intrinsic Price Target:	-2.58%	Year 4 Target	32.42
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	-1.59%	Year 5 Target	31.58
Average (Excluding Dividend Discount):	\$31.58	Implied IRR at today's EV/EBITDA:	1.90%	Implied IRR (Market Price):	-2.58%
		5 Year Return:	-12.25%	Desired Return Rate	20.00%
				Implied Today's Price	12.69
				Overvalued/(Undervalued)	183.57%

Current Evaluation				Exit Evaluation			
Current Market Price:	35.99	LBO Price:	35.99	Exit Price:	31.58	Exit Price:	39.54
Outstanding Shares:	67,780,000	Outstanding Shares:	67,780,000	Outstanding Shares:	67,780,000	Outstanding Shares:	67,780,000
Market Capitalization:	2,439,402,200	Market Capitalization:	2,439,402,200	Market Capitalization:	2,140,570,334	Market Capitalization:	2,679,801,478
Available Cash:	585,770,000	Available Cash:	585,770,000	Available Cash:	1,383,459,087	Available Cash:	1,383,459,087
Debt:	455,400,000	Debt:	455,400,000	Debt:	455,400,000	Debt:	455,400,000
Net Cash:	130,370,000	Net Cash:	130,370,000	Net Cash:	928,059,087	Net Cash:	928,059,087
Enterprise Value:	2,309,032,200	Enterprise Value:	2,309,032,200	Enterprise Value:	1,212,511,247	Enterprise Value:	1,751,742,391
Original EV/EBITDA:	8.55	EV/EBITDA:	8.55	EV/EBITDA at 5 Years:	3.67	EV/EBITDA at 5 Years:	5.00
Original EV/EBITDA:	7.57	EV/EBITDA:	8.03	EV/EBITDA at 5 Years:	5.46	EV/EBITDA at 5 Years:	4.97
Competitor Average EV/EBIT:	N/A						
Competitor Average EV/EBITDA:	N/A						

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	35.99	35.99	35.06	34.16	33.28	32.42	31.58
Shares Outstanding:	67,780,000	67,780,000	67,780,000	67,780,000	67,780,000	67,780,000	67,780,000
Market Capitalization:	2,439,402,200	2,439,402,200	2,376,471,604	2,315,164,463	2,255,438,897	2,197,254,103	2,140,570,334
Available Cash:	585,770,000	585,770,000	723,669,559	871,860,676	1,030,857,930	1,201,201,626	1,383,459,087
Debt:	455,400,000	455,400,000	455,400,000	455,400,000	455,400,000	455,400,000	455,400,000
Net Cash:	130,370,000	130,370,000	268,269,559	416,460,676	575,457,930	745,801,626	928,059,087
Enterprise Value:	2,309,032,200	2,309,032,200	2,108,202,045	1,898,703,787	1,679,980,967	1,451,452,477	1,212,511,247
EBIT	269,940,000	269,940,000	268,232,560	282,644,188	5	313,665,217	330,348,478
EV/EBIT:	8.55	8.55	7.86	6.72	335,996,193.40	4.63	3.67
EBITDA	287,540,000	287,540,000	286,712,560	302,048,188	318,150,597	335,058,127	352,811,034
EV/EBITDA:	8.03	8.03	7.35	6.29	5.28	4.33	3.44

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	35.99	35.99	37.81	41.81	8.49	50.59	55.38
Shares Outstanding:	67,780,000	67,780,000	67,780,000	67,780,000	67,780,000	67,780,000	67,780,000
Market Capitalization:	2,439,402,200	2,439,402,200	2,562,696,536	2,834,162,874	575,457,972	3,428,853,736	3,753,817,675
Available Cash:	585,770,000	585,770,000	723,669,559	871,860,676	1,030,857,930	1,201,201,626	1,383,459,087
Debt:	455,400,000	455,400,000	455,400,000	455,400,000	455,400,000	455,400,000	455,400,000
Net Cash:	130,370,000	130,370,000	268,269,559	416,460,676	575,457,930	745,801,626	928,059,087
Enterprise Value:	2,309,032,200	2,309,032,200	2,294,426,977	2,417,702,198	43	2,683,052,110	2,825,758,588
EBIT	269,940,000	269,940,000	268,232,560	282,644,188	5	313,665,217	330,348,478
EV/EBIT:	8.55	8.55	8.55	8.55	8.55	8.55	8.55
EBITDA	287,540,000	287,540,000	286,712,560	302,048,188	318,150,597	335,058,127	352,811,034
EV/EBITDA:	8.03	8.03	8.00	8.00	0.00	8.01	8.01

LBO Price	35.99	Equity Partners:	2,903,952,200	Weighting	100.00%	Annualized Return for Equity Partners:	-1.59%
Shares Outstanding	67,780,000	Debt Partners:	0		0.00%		
Market Capitalization	2,439,402,200	Total Funds for LBO:	2,903,952,200		100.00%		
Debt	464,550,000						
Cash	585,770,000						
Enterprise Value	2,318,182,200						
Capital Investment	2,903,952,200						

Book Value	Enterprise Value	Stock Valuation	Debt Reduction				
Beginning Book Value	936.41	Beginning Enterprise Value	2,309.03	Current Market Price	\$35.99	Starting Debt	200.00
Year 5 Book Value	1,831.99	Year 5 Enterprise Value	1,751.74	Year 5 Market Price	\$39.54	Debt Repayment	0.00
Annualized Return	14.36%	Annualized Return	-5.37%	Annualized Return	1.90%	Year 5 Ending Debt	200.00
						% of Starting Debt	100.00%

SN VALUATION

LBO Pro Forma Income Statement

Name:

Sotheby's

Ticker:

BID

	Historical				Forecasted				
	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2013	2014	2015	2016	2017
Revenue	691.56	484.96	774.31	831.84	873.43	917.10	962.96	1,011.11	1,061.66
COGS	157.39	67.94	85.83	93.25	104.81	110.05	115.56	121.33	127.40
Gross margin	534.17	417.02	688.48	738.59	768.62	807.05	847.40	889.77	934.26
SG&A	435.79	330.16	386.04	444.69	480.39	534.41	529.63	556.11	583.91
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	-6.25	14.87	6.24	6.36	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	24.84	21.57	16.49	17.60	20.00	20.00	20.00	20.00	20.00
Operating Income (EBITA)	79.79	50.42	267.71	269.94	268.23	282.64	297.78	313.67	330.35
Interest income/(expense)	-31.65	-40.35	-45.08	-37.49	-22.97	-22.97	-22.97	-22.97	-22.97
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	-2.96	5.32	2.95	-1.06	0.00	0.00	0.00	0.00	0.00
Income before tax	45.17	15.39	225.58	231.39	245.26	259.67	274.80	290.69	307.38
Tax	20.85	22.16	65.27	60.03	85.84	90.89	96.18	101.74	107.58
Income after tax	24.32	-6.77	160.31	171.36	159.42	168.79	178.62	188.95	199.79
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	2.14	0.24	0.64	0.06	0.30	0.28	0.28	0.31	0.32
Net income	26.46	-6.53	160.95	171.42	159.72	169.07	178.91	189.26	200.11
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.39	-\$0.10	\$2.37	\$2.53	\$2.36	\$2.49	\$2.64	\$2.79	\$2.95
P/E (historical today's price; forecasted intrinsic price)	92.19	-373.57	15.16	14.23	14.88	13.69	12.61	11.61	10.70
Revenue Growth	N/A	-28.87%	59.66%	7.43%	5.00%	5.00%	5.00%	5.00%	5.00%
Tax Rate	46.16%	143.99%	28.93%	25.94%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-6.91%	-7.87%	-9.53%	-8.07%	-11.49%	-11.49%	-11.49%	-11.49%	-11.49%
Margins									
COGS	22.76%	14.01%	11.08%	11.21%	12.00%	12.00%	12.00%	12.00%	12.00%
Gross margin	77.24%	85.99%	88.92%	88.79%	88.00%	88.00%	88.00%	88.00%	88.00%
SG&A	63.02%	68.08%	51.41%	53.46%	55.00%	55.00%	55.00%	55.00%	55.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	-0.90%	3.07%	0.81%	0.76%	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	3.59%	4.45%	2.13%	2.12%	2.29%	2.13%	2.08%	1.98%	1.88%
Operating Income (EBITA)	11.54%	10.40%	34.57%	32.45%	30.71%	30.82%	30.92%	31.02%	31.12%
Interest income/(expense)	-4.58%	-8.32%	-5.82%	-4.51%	-2.63%	-2.50%	-2.39%	-2.27%	-2.16%
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	-0.43%	1.10%	0.38%	-0.13%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	6.53%	3.17%	29.13%	27.82%	28.08%	28.31%	28.54%	28.75%	28.95%
Tax	3.01%	4.57%	8.43%	7.22%	9.83%	9.91%	9.99%	10.06%	10.13%
Income after tax	3.52%	-1.40%	20.70%	20.60%	18.25%	19.32%	20.45%	21.63%	22.87%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.31%	0.05%	0.06%	0.01%	0.03%	0.03%	0.03%	0.03%	0.03%
Net income	3.83%	-1.35%	20.79%	20.61%	18.29%	18.44%	18.58%	18.72%	18.85%

SN VALUATION

LBO Adjusted Proforma Balance Sheet

	As of 2008-12-31	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-09-30	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	253.47	321.58	483.66	890.63	585.77			585.77	723.67	871.86	1,030.86	1,201.20	1,383.46
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	253.47	321.58	483.66	890.63	585.77			585.77	723.67	871.86	1,030.86	1,201.20	1,383.46
Accounts Receivable	543.11	372.69	680.83	552.63	441.32			441.32	441.32	441.32	441.32	441.32	441.32
Other receivables	0.00	0.00	0.00	0.00	136.00			136.00	136.00	136.00	136.00	136.00	136.00
Total Receivables	543.11	372.69	680.83	552.63	577.32			577.32	577.32	577.32	577.32	577.32	577.32
Total Inventory	186.59	142.56	126.53	113.61	99.04			99.04	99.04	99.04	99.04	99.04	99.04
Prepaid Expenses	20.54	19.21	17.58	22.97	40.77			40.77	40.77	40.77	40.77	40.77	40.77
Other Current Assets	48.88	38.70	33.87	45.13	18.54			18.54	18.54	18.54	18.54	18.54	18.54
Current Assets	1,052.59	894.74	1,342.47	1,624.97	1,321.44	0.00	0.00	1,321.44	1,459.34	1,607.53	1,766.53	1,936.87	2,119.13
PP&E, Gross	388.48	510.04	519.97	600.00	600.00			600.00	640.00	680.00	720.00	760.00	800.00
Change in Depreciation		21.56	16.49	17.60	17.60			17.60	18.48	19.40	20.37	21.39	22.46
Accumulated Depreciation	182.27	139.81	147.28	200.00	200.00			200.00	218.48	237.88	258.26	279.65	302.11
PP&E, Net	206.21	370.23	372.69	400.00	400.00			400.00	421.52	442.12	461.74	480.35	497.89
Goodwill	14.20	14.59	14.25	14.16	14.63	0.00		14.63	14.63	14.63	14.63	14.63	14.63
Intangibles	3.47	1.76	0.76	0.41	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term investments	18.42	17.12	15.15	14.94	15.20			15.20	15.20	15.20	15.20	15.20	15.20
Other long term assets	169.22	114.05	149.94	136.71	193.05			193.05	193.05	193.05	193.05	193.05	193.05
Long Term Assets	411.52	517.75	552.79	566.22	622.88			622.88	644.40	665.00	684.62	703.23	720.77
Total Assets	1,464.11	1,412.49	1,895.26	2,191.19	1,944.32	0.00	0.00	1,944.32	2,103.74	2,272.53	2,451.15	2,640.10	2,839.90
Accounts Payable	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Accrued Expense	26.71	28.61	85.47	82.63	82.63			82.63	82.63	82.63	82.63	82.63	82.63
Other current Liabilities	435.22	359.56	725.07	817.56	299.93			299.93	299.93	299.93	299.93	299.93	299.93
Total Current Liabilities	461.93	388.17	810.54	900.19	382.56	0.00	0.00	382.56	382.56	382.56	382.56	382.56	382.56
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	255.40			255.40	255.40	255.40	255.40	255.40	255.40
Long term Debt	294.47	512.94	472.86	464.55	200.00	0.00	0.00	200.00	200.00	200.00	200.00	200.00	200.00
Capital Lease Obligations	163.81	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	458.28	512.94	472.86	464.55	455.40	0.00	0.00	455.40	455.40	455.40	455.40	455.40	455.40
Deferred Income tax	2.95	0.45	8.91	0.97	2.83			2.83	2.83	2.83	2.83	2.83	2.83
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	65.86	53.27	47.96	65.91	452.27			452.27	452.27	452.27	452.27	452.27	452.27
Total Liabilities	989.02	954.83	1,340.27	1,431.62	1,293.06	0.00	0.00	1,293.06	1,293.06	1,293.06	1,293.06	1,293.06	1,293.06
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	0.67	0.67	0.67	0.68	0.68		0.00	0.68	0.68	0.68	0.68	0.68	0.68
Additional Paid-in capital	298.98	317.08	345.07	355.63	362.56	0.00	0.00	362.56	362.56	362.56	362.56	362.56	362.56
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	323.67	297.58	444.72	601.28	627.09		0.00	627.09	786.51	955.30	1,133.92	1,322.87	1,522.67
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	-51.23	-38.35	-18.95	-53.92	-53.92		0.00	-53.92	-53.92	-53.92	-53.92	-53.92	-53.92
Total Equity	572.09	576.98	771.51	903.67	936.41	0.00	0.00	936.41	1,095.83	1,264.62	1,443.24	1,632.19	1,831.99
Liability + Equity	1,561.11	1,531.81	2,111.78	2,335.29	2,229.47	0.00	0.00	2,229.47	2,388.89	2,557.68	2,736.30	2,925.25	3,125.05
Variance	-97.00	-119.32	-216.52	-144.10	-285.15			-285.15	-285.15	-285.15	-285.15	-285.15	-285.15
Debt/Equity	0.80	0.89	0.61	0.51	0.49			0.49	0.42	0.36	0.32	0.28	0.25
Inventory Turnover	3.71	3.40	6.12	7.32	8.82			8.40	8.82	9.26	9.72	10.21	10.72
Inventory Turnover Days	98.48	107.30	59.64	49.85	41.39			43.46	41.39	39.42	37.54	35.75	34.05
Days Inventory Outstanding	432.72	765.89	538.08	444.69	344.90			387.66	344.90	328.48	312.83	297.94	283.75
Accounts Receivable Turnover	1.27	1.30	1.14	1.51	1.98			1.44	1.51	1.59	1.67	1.75	1.84
Accounts Receivable Turnover Days	286.65	280.50	320.93	242.49	184.42			253.32	241.26	229.77	218.83	208.41	198.48
Days Payable Outstanding	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Days Sales Outstanding	286.65	280.50	320.93	242.49	241.26			242.49	253.32	241.26	229.77	218.83	208.41
Cash Conversion Cycle	719.37	1,046.39	859.02	687.18	586.16			630.15	598.22	569.73	542.60	516.76	492.16
Net tangible assets/share	\$6.80	\$6.54	\$7.98	\$11.00	\$9.39			\$11.74	\$14.23	\$16.87	\$19.66	\$22.61	\$22.61

SN VALUATION

LBO Adjusted Proforma Cash Flow

	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2011	2012	2013	2014	2015
Net Income	26.46	-6.53	160.95	171.42	159.42	168.79	178.62	188.95	199.79
Depreciation	24.84	21.56	16.49	17.60	18.48	19.40	20.37	21.39	22.46
Net Income + Depreciation	51.30	15.03	177.44	189.02	177.90	188.19	199.00	210.34	222.26
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-21.36	33.93	10.54	-7.90	0.00	0.00	0.00	0.00	0.00
Non Cash Items	43.04	30.41	40.70	35.14	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-248.46	79.15	113.06	186.73	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	170.42	-308.14	128.20	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	44.03	16.03	12.92	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	1.33	1.63	-5.39	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	-175.48	158.52	341.74	402.99	177.90	188.19	199.00	210.34	222.26
Capital Expenditures Expenditures	-74.19	-100.88	-18.00	-17.11	-40.00	-40.00	-40.00	-40.00	-40.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-9.52	35.09	-101.68	67.19	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-83.71	-65.79	-119.68	50.08	-40.00	-40.00	-40.00	-40.00	-40.00
Financing Cash flow items	-39.51	-3.38	-4.05	-11.59	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-40.65	-20.43	-13.62	-14.85	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	22.64	1.27	14.03	2.57	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	227.78	-1.70	-54.58	-21.19	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	170.26	-24.24	-58.22	-45.06	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	-5.85	-0.38	-1.76	-1.02	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	348.25	253.47	321.58	483.66	585.77	723.67	871.86	1,030.86	1,201.20
Net Change in Cash	-94.78	68.11	162.08	406.97	137.90	148.19	159.00	170.34	182.26
Ending Cash Balance	253.47	321.58	483.66	890.63	723.67	871.86	1,030.86	1,201.20	1,383.46
Capex to Revenue	10.73%	20.80%	2.32%	2.06%	4.58%	4.36%	4.15%	3.96%	3.77%
Depreciation to Sales	3.59%	4.45%	2.13%	2.12%	2.12%	2.12%	2.12%	2.12%	2.12%
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	78.53%	76.85%	87.93%	66.43%	63.27%	60.26%	57.39%	54.66%	52.05%
Distributable FCF Yield	-11.23%	4.02%	9.62%	19.62%	5.97%	6.42%	6.89%	7.38%	7.89%
Dividend Yield	-1.67%	-0.84%	-0.56%	-0.61%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing-Dividends)	-209.02	78.07	337.36	400.73	137.90	148.19	159.00	170.34	182.26

SN VALUATION

LBO Debt Schedule

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	406.97	137.90	148.19	159.00	170.34	182.26
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	455.40	455.40	455.40	455.40	455.40	455.40
Current Portion Debt Balance	255.40	255.40	255.40	255.40	255.40	255.40
Long Term Debt Balance	200.00	200.00	200.00	200.00	200.00	200.00
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		31.88	31.88	31.88	31.88	31.88
Cash Balance		890.63				
Interest @ 1.0%		8.91	8.91	8.91	8.91	8.91
Net Interest Expense/(Income)		22.97	22.97	22.97	22.97	22.97
Net Interest Rate		11.49%	11.49%	11.49%	11.49%	11.49%
EBITDA		268.23	282.64	297.78	313.67	330.35
EBITDA/Interest Expense Coverage		8.41	8.87	9.34	9.84	10.36

Interest Rate Coverage Table

Debt Rating					
AAA					
AA				AA	AA
A+	A+	A+	A+		
A					
A-					
BBB					
BB+					
BB					
B+					
B					
B-					
CCC					
CC					
C					
D					

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Sotheby's

Ticker:

BID

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	590.66	506.57	531.93	938.88	1,076.78	1,224.97	1,383.97	1,554.31	1,736.57
Total Assets	1,464.11	1,412.49	1,895.26	1,944.32	2,103.74	2,272.53	2,451.15	2,640.10	2,839.90
X1	0.40	0.36	0.28	0.48	0.51	0.54	0.56	0.59	0.61
Retained Earnings	323.67	297.58	444.72	627.09	786.51	955.30	1,133.92	1,322.87	1,522.67
Total Assets	1,464.11	1,412.49	1,895.26	1,944.32	2,103.74	2,272.53	2,451.15	2,640.10	2,839.90
X2	0.22	0.21	0.23	0.32	0.37	0.42	0.46	0.50	0.54
EBITDA	104.63	71.99	284.20	287.54	288.23	302.64	317.78	333.67	350.35
Total Assets	1,464.11	1,412.49	1,895.26	1,944.32	2,103.74	2,272.53	2,451.15	2,640.10	2,839.90
X3	0.07	0.05	0.15	0.15	0.14	0.13	0.13	0.13	0.12
Market Value of Equity	2,439.40	2,439.40	2,439.40	2,439.40	2,376.47	2,315.16	2,255.44	2,197.25	2,140.57
Total Liabilities	989.02	954.83	1,340.27	1,293.06	1,293.06	1,293.06	1,293.06	1,293.06	1,293.06
X4	2.47	2.55	1.82	1.89	1.84	1.79	1.74	1.70	1.66
Net Sales	691.56	484.96	774.31	831.84	873.43	917.10	962.96	1,011.11	1,061.66
Total Assets	1,464.11	1,412.49	1,895.26	1,944.32	2,103.74	2,272.53	2,451.15	2,640.10	2,839.90
X5	0.47	0.34	0.41	0.43	0.42	0.40	0.39	0.38	0.37
Altman Z Score	2.98	2.77	2.66	3.08	3.11	3.15	3.19	3.23	3.26

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

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