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, 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


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

### Net Revenues

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### Cost of Revenues

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### Employee Data

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### Net Income vs. Expenses

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<td>Income</td>
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### Financial Data

- Expense as % of Fees: 28.14% 29.70% 22.86%
- 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

Grade: PSA 10  PSA 9  PSA 8  Ungraded
Recent Price: ~$2,200  ~$230  ~$80  ~$100

Card: 1997 Masters Collection Tiger Woods
Grade: PSA 10  PSA 9
Recent Price: ~$30,000  ~$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 \[\rightarrow\] HIGH Upside
- Buyout Price AT LEAST $4.50 = potential 80% appreciation