



Collectors Universe Reports Operating Results for Fourth Quarter and Fiscal Year 2018

August 30, 2018

NEWPORT BEACH, Calif., Aug. 30, 2018 (GLOBE NEWSWIRE) -- Collectors Universe, Inc. (NASDAQ: CLCT), a leading provider of value-added authentication and grading services to dealers and collectors of high-value collectibles, today announced financial results for its fourth quarter and year ended June 30, 2018.

Operational and Financial Highlights:

- Revenues in the fourth quarter of fiscal 2018 were \$17.1 million, down 5% from the record fourth quarter revenues of \$18.0 million in fiscal 2017. For fiscal year 2018, revenues were \$68.4 million, down 2% from the record \$70.2 million in fiscal year 2017.
- Our cards and autograph service revenues increased by \$0.9 million, in the fourth quarter and by \$3.1 million, in fiscal 2018 which represented increases of 18% in both periods and record quarterly and annual revenues for that business.
- Our total coin revenues decreased by \$1.7 million, or 15%, in the fourth quarter and by \$4.7 million, or 10%, in fiscal 2018. The lower coin revenues in the fourth quarter, primarily reflected a decrease in modern coin revenues in the United States and China. The lower coin revenues in fiscal 2018, primarily reflected a \$6.4 million or 17% decrease in U.S. coin revenues due to the previously disclosed general slowness in the domestic coin market, partially offset by a \$1.7 million or 18% increase in total overseas coin revenues (which included an increase of \$1.1 million or 16% in China).
- Coin service revenues generated by our overseas operations (inclusive of China revenues) were 12% and 16% of total revenues in the fourth quarter and fiscal 2018, as compared to 13% of total revenues in the same periods of fiscal 2017.
- Our gross profit margins were 55% and 57%, in the fourth quarter and fiscal 2018, as compared to 62% in the same periods of fiscal 2017. Higher warranty expense and inventory reserves in the fiscal 2018 periods, reduced our gross profit margin by 3% in the fourth quarter and 1% in fiscal 2018. The remaining decreases in our gross profit margins in the current year periods reflects the decrease in our U.S. coin revenues discussed above, as a significant proportion of our direct costs are relatively fixed in the short-term.
- Operating income was \$2.2 million and \$9.0 million in the fourth quarter and fiscal 2018, as compared to \$1.2 million and \$13.2 million, in the same periods of 2017. Non-cash stock-based compensation expense was \$0.5 million and \$1.4 million in the fourth quarter and fiscal 2018, as compared to \$3.7 million and \$4.0 million in the same periods of fiscal 2017. The lower operating income in the current year periods, when adjusted for non-cash stock-based compensation, primarily reflects the decreases in U.S. coin revenues as discussed above. In addition, we incurred \$0.6 million in moving and lease exit costs for the relocation of our operations and headquarters to a new facility, in fiscal 2018.
- The resulting income from continuing operations was \$1.0 million, or \$0.11 per diluted share, and \$6.1 million, or \$0.70 per diluted share, in the fourth quarter and fiscal 2018 as compared to \$1.0 million, or \$0.12 per diluted share, and \$8.5 million, or \$0.99 per diluted share, in the same periods of fiscal 2017. The provisions for income taxes in the current year periods, reflect federal income taxes at a blended rate of 28% arising from the Tax Cuts and Jobs Act that was enacted into law in December 2017. In the fourth quarter of fiscal 2018, we incurred overseas withholding taxes and finalized the write down of our deferred tax assets to our go forward federal tax rate of 21%.
- The Company's cash position as of June 30, 2018 was \$10.6 million, as compared to \$9.8 million at June 30, 2017 and \$9.2 million at March 31, 2018. Net cash generated of \$0.8 million in fiscal 2018 included \$11.9 million of cash generated from continuing operations and \$3.0 million of borrowings under our term loan, partially offset by \$9.1 million used to pay cash dividends to stockholders, \$4.8 million used for capital expenditures and capitalized software costs (which are inclusive of expenditures for our new operations and headquarter facility), and \$0.2 million used for discontinued operations.
- On July 31, 2018, we announced our cash dividend to stockholders for the first quarter of fiscal 2019 of \$0.175 per share of common stock, which will be paid on August 31, 2018 to stockholders of record on August 17, 2018.

Commentary and Outlook

Joseph J. Orlando Chief Executive Officer, stated, "In Q4, parts of the business rebounded, while other areas set quarterly records. After two down quarters, our PCGS US vintage services rebounded to around the same level achieved in Q4 of 2017, which represented a record fourth quarter performance for the service. Hong Kong and Paris established new record quarterly and annual revenues and total international coin service revenue, which also includes our Shanghai office, achieved record levels for the year. Furthermore, PSA and PSA/DNA finished with another record

performance for the quarter and year, making fiscal 2018 its eighth consecutive year of top and bottom line growth.”

Orlando continued, “During the winter months, Collectors Universe instituted an Action Plan, which included a restructuring of the organization. This plan will produce nearly \$2 million in annualized savings. As part of that plan, we have been working hard to improve our efficiency by blending our operation into a more cohesive unit during the past two quarters. I am happy to report that we have made great progress on this project. This means we can now move the operational capacity to where the need is, which gives us better flexibility to cope with changes in the markets we serve.”

“Some of these markets remain soft, such as the US modern coin market, which has been hampered by a combination of poor sales figures at the Mint and depressed precious metals activity. Other markets, however, have returned to expected levels and beyond. The PCGS US vintage and show services have performed well in recent months as a result, while our PSA and PSA/DNA business has continued its brisk pace into the summer months. In addition, PSA and PSA/DNA are following in the footsteps of PCGS by beginning the process of international expansion. We established a legal entity in Japan as of July 2 and have signed an agreement with Shanghai Ruika, the largest trading card distributor in China, to become our first official submission center in the region. This will enable us to start building our brand overseas in a more meaningful way.”

“Our modern coin business in China remains volatile as we are still in the early stages of building the market for our PCGS-certified product, but the vintage portion of our services has showed steady growth with each passing year. Regardless of the quarter-to-quarter fluctuations in performance, our PCGS management team is confident in the long-term potential the Chinese coin market offers.”

Conference Call and Webcast

Collectors Universe will host a conference call to discuss results on Thursday, August 30, 2018 at 4:30 p.m. Eastern Time/1:30 p.m. Pacific Time. Interested parties may participate in the conference call by dialing 877-260-1479 or 334-323-0522, five to ten minutes prior to the initiation of the call. A replay of the conference call will be available through September 13, 2018 by dialing 888-203-1112 or 719-457-0820 and entering access code 8097504#. A live webcast of the conference call will also be available on the Collectors Universe website, www.collectorsuniverse.com under Investor Relations: Events and Presentations. The webcast will be archived for 12 months.

About Collectors Universe

Collectors Universe, Inc. is a leading provider of value-added services to the high-value collectibles markets. The Company authenticates and grades collectible coins, trading cards, event tickets, autographs and memorabilia (“collectibles”). The Company also compiles and publishes authoritative information about United States and world coins, collectible trading cards and sports memorabilia (“collectibles”), and operates its CCE dealer-to-dealer Internet bid-ask market for certified coins and its Expos trade show and conventions business. This information is accessible to collectors and dealers at the Company’s website, <http://www.collectorsuniverse.com> and is also published in print.

Cautionary Statements Regarding Forward Looking Information

This news release contains statements regarding our expectations, beliefs or views about our future financial performance and trends in our business and in our markets, which constitute “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Forward looking statements can often be identified by the use of words such as “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “project,” or future or conditional verbs such as “will,” “would,” “should,” “could,” or “may.”

Due to a number of risks and uncertainties to which our business and our markets are subject, our future financial performance may differ, possibly significantly, from expectations regarding our future financial performance that are expressed in, or that may be implied or inferred from the discussion of our operating results in this news release. Those risks and uncertainties, and their possible impact on our future financial performance, include, but are not limited to, the following: our continued dependence on our coin business which historically has generated more than 60% of our consolidated revenues and a substantial portion of our operating income, making our operating results more vulnerable to conditions that could adversely affect or cause stagnation in the prices of precious metals or reduce demand for and transactions in collectible coins; the risks that domestic or international economic conditions may deteriorate and lead to reductions in the demand for our collectibles authentication and grading services and, consequently, in our revenues and operating results; the risk that weakness or volatility in economic conditions or increases in interest rates in the United States or in the overseas markets where we operate will lead to longer-term changes in the spending habits of consumers or in the availability, costs and use of credit by smaller businesses, such as collectibles dealers, to fund purchases of collectibles, which could lead to longer-term declines in collectibles commerce and, therefore, in the demand for our services; the risks that claims under our coin and trading card authentication and grading warranties will increase substantially and that the warranty reserves we maintain for such claims will prove to be inadequate, which could cause our gross margin and operating results to decline or cause us to incur operating losses; the risk that our strategies of offering new services and expanding our collectibles authentication and grading business into new geographic areas, such as Europe and Asia will not be successful in enabling us to improve our profitability or may even cause us to incur significant losses; the risks and added complexity of conducting business overseas; the risk that it may become necessary for us to reduce the amount of, or suspend or discontinue the payment of cash dividends in the future, due to conditions or circumstances outside of our control, such as adverse economic or market conditions, as well as our future financial performance and the cash needs of our business in the future.

Additional information regarding these risks and other risks and uncertainties to which our business is subject is contained in Item 1A, entitled “Risk Factors”, in our Annual Report on Form 10-K for our fiscal year ended June 30, 2018 which we filed with the Securities and Exchange Commission today and readers of this news release are urged to review the discussion of those risks and uncertainties in that Report. Also, our actual financial results in the future may differ from those currently expected due to additional risks and uncertainties of which we are not currently aware or which we do not currently view as, but may in the future become, material to our business or operating results. Due to these risks and uncertainties, readers are cautioned not to place undue reliance on the forward-looking statements contained in this news release or in our Annual or Quarterly Reports filed with the Securities and Exchange Commission, which speak only as of their respective dates. We also disclaim any obligation to update or revise any of the forward-looking statements contained in this news release or in our Annual Report on Form 10-K, as a result of new information, future events or otherwise, except as may be required by law or NASDAQ rules.

Contact:

Joseph Wallace
Chief Financial Officer

COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, except per share data)
(Unaudited)

	Three Months Ended		Year Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net revenues	\$ 17,121	\$ 17,952	\$ 68,449	\$ 70,158
Cost of revenues	7,727	6,869	29,471	26,847
Gross profit	9,394	11,083	38,978	43,311
Operating expenses:				
Selling and marketing expenses	2,449	2,374	10,137	9,333
General and administrative expenses	4,716	7,479	19,864	20,754
Total operating expenses	7,165	9,853	30,001	30,087
Operating income	2,229	1,230	8,977	13,224
Interest income and other expense, net	(191)	69	(85)	10
Income before provision for income taxes	2,038	1,299	8,892	13,234
Provision for income taxes	1,082	252	2,760	4,718
Income from continuing operations	956	1,047	6,132	8,516
Income (loss) from discontinued operations, net of income taxes	14	(4)	104	(7)
Net income	\$ 970	\$ 1,043	\$ 6,236	\$ 8,509
Net income per basic share:				
Income from continuing operations	\$ 0.11	\$ 0.12	\$ 0.71	\$ 1.00
Income from discontinued operations	-	-	0.01	-
Net income per basic share	\$ 0.11	\$ 0.12	\$ 0.72	\$ 1.00
Net income per diluted share:				
Income from continuing operations	\$ 0.11	\$ 0.12	\$ 0.70	\$ 0.99
Income from discontinued operations	-	-	0.01	-
Net income per diluted share	\$ 0.11	\$ 0.12	\$ 0.71	\$ 0.99
Weighted average shares outstanding:				
Basic	8,709	8,486	8,662	8,480
Diluted	8,715	8,811	8,817	8,630
Dividends declared per common share	\$ 0.175	\$ 0.35	\$ 1.05	\$ 1.40
Note:				
Non-cash stock-based compensation included above	\$ 470	\$ 3,695	\$ 1,421	\$ 4,025

COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, except per share data)
(Unaudited)

	June 30,	
	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,581	\$ 9,826
Accounts receivable, net of allowance of \$80 in 2018 and \$77 in 2017	2,608	3,615
Inventories, net	2,579	2,722

Prepaid expenses and other current assets	1,965	1,661
Total current assets	17,733	17,824
Property and equipment, net	8,378	3,163
Goodwill	2,083	2,083
Intangible assets, net	2,319	2,183
Deferred income tax assets	1,222	2,864
Other assets	479	413
Non-current assets of discontinued operations	-	79
	\$ 32,214	\$ 28,609
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,487	\$ 2,660
Accrued liabilities	1,998	1,652
Accrued compensation and benefits	3,401	4,373
Current portion of long-term debt	562	-
Income taxes payable	312	664
Deferred revenue	3,213	2,676
Current liabilities of discontinued operations	-	391
Total current liabilities	11,973	12,416
Deferred rent	3,535	276
Long-Term Debt	2,438	-
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.001 par value; 3,000 shares authorized; no shares issued or outstanding	-	-
Common stock, \$.001 par value; 20,000 shares authorized; shares outstanding: 9,015 in 2018 and 8,921 in 2017	9	9
Additional paid-in capital	86,369	84,948
Accumulated deficit	(72,110)	(69,040)
Total stockholders' equity	14,268	15,917
	\$ 32,214	\$ 28,609

COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Year Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 6,236	\$ 8,509
Adjustments to reconcile net income to net cash provided by operating activities:		
(Income) Loss from discontinued operations	(104)	7
Depreciation and amortization expense	2,306	1,665
Stock-based compensation expense	1,421	4,025
Provision for bad debts	33	45
Provision for inventory write-down	502	244
Provision for warranty	764	302
Loss (gain) on sale of property and equipment	94	5
Changes in operating assets and liabilities:		
Accounts receivable	1,001	223
Inventories	(359)	(1,132)
Prepaid expenses and other	(305)	(388)
Deferred income taxes	1,642	(354)
Other assets	(66)	(172)
Accounts payable and accrued liabilities	(815)	(1,125)
Accrued compensation and benefits	(972)	958

Income taxes payable	(353)	(118)
Deferred revenue	537		113	
Deferred rent	310		(105)
Net cash provided by operating activities of continuing operations	11,872		12,702	
Net cash used in operating activities of discontinued operations	(215)	(518)
Net cash provided by operating activities	11,657		12,184	

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures	(3,923)	(1,410)
Capitalized software development costs	(911)	(1,045)
Proceeds from sale of property and equipment	14		-	
Patents and other intangibles	(5)	(15)
Proceeds from sale of business	6		57	
Net cash used in investing activities	(4,819)	(2,413)

CASH FLOWS FROM FINANCING ACTIVITIES:

Borrowings under term loan	3,000		-	
Dividends paid to common stockholders	(9,083)	(11,912)
Net cash used in financing activities	(6,083)	(11,912)
Increase (decrease) in cash and cash equivalents	755		(2,141)
Cash and cash equivalents at beginning of year	9,826		11,967	
Cash and cash equivalents at end of year	\$ 10,581		\$ 9,826	

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Interest paid during the period	\$ 1,805		\$ 5,187	
Income taxes paid during the period	108		39	

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES:

Leasehold Improvements contributed by landlord	\$ 2,949		\$ -	
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Source: Collectors Universe, Inc.