



Collectors Universe Reports Record Operating Results for the First Quarter of Fiscal 2021

November 2, 2020

Total Revenues Increase 52%, Cards/Autographs Revenues Up 130%, Over the Prior Year

Improving Operating Leverage with Revenue Increase

NEWPORT BEACH, Calif., Nov. 02, 2020 (GLOBE NEWSWIRE) -- Collectors Universe, Inc. (NASDAQ: CLCT), a leading provider of value-added authentication and grading services to dealers and collectors of collectibles, today announced financial results for first quarter ended September 30, 2020.

First Quarter 2021 Year-over-Year Financial Highlights:

- Revenues up 52% to a record \$30.8 million versus \$20.2 million
- Gross profit margin increased to 63% versus 60%
- Operating income increased 68% to a record \$7.8 million, or 25% of revenue, versus \$4.6 million, despite higher operating expenses (see below)
- Diluted EPS was \$0.65 versus \$0.40
- Cash on hand was \$36.7 million as of September 30, 2020, up from \$28.6 million on June 30, 2020

Management Commentary:

Joseph J. Orlando, President and Chief Executive Officer, said, "We achieved another quarter of record performance with revenue increasing over 50% both sequentially and year-over-year to \$30.8 million, primarily driven by significant growth in our PSA division for trading cards, autographs and sports memorabilia. Additionally, we set new quarterly records on both earnings and cash generation, further highlighting the improving operating leverage in our business. These results are a direct reflection of the diligent work by our team over the past few years to transform the business in a way that could enable the kind of growth we achieved in the first quarter of fiscal 2021.

"The combination of increased throughput and higher margins in our PSA division helped to drive our results in the quarter, and we also expect it to be a material contributor to our future growth. The substantial demand for these services and the strength of the overall market have not shown signs of letting up, which is why the recent opportunity to expand our operations facility is well timed. Additionally, we were also pleased with the performance of our coin business, PCGS, which surpassed last year's revenue results despite the previously mentioned headwinds related to the pandemic. We've been quick to respond to these challenges by hosting smaller domestic events and increasing our operational capacity in China, resulting in revenue increasing in the region during the quarter as well. Collectively, these actions and dedicated efforts by the entire team have contributed to the highest quarterly operating performance our Company has achieved in its history."

First Quarter Review and Recent Announcements:

- Total revenues increased \$10.6 million, or 52% year-over-year, to \$30.8 million in the first quarter of fiscal year 2021, driven by record momentum in cards/autographs (PSA), which delivered a year-over-year revenue increase of \$10.5 million to \$18.6 million, representing a 130% growth rate. Overall coin revenues (PCGS) increased by \$0.5 million to \$11.5 million, or 4% over the prior year period, which included 5% and 20% increases in U.S. and China coin revenues, respectively, despite the COVID-19 challenges that continue to impact those businesses. COVID-19 also led to the cancellation of the Company's Long Beach Expo trade show, resulting in a loss of revenue of approximately \$0.5 million compared to Q1 2020.
- Gross profit margin increased to 63% from 60% in the first quarter of fiscal year 2020 and primarily reflects improved average service fees in the card/autographs business.
- Operating expenses increased by \$4.0 million over the prior year period to \$11.5 million, which included, (i) activist related professional defense fees and board refreshment recruitment fees of \$2.2 million, and (ii) higher non-cash stock-based compensation expense of \$0.9 million. Together, these expenses reduced operating income by \$3.1 million, or 10% of revenues, in the quarter.
- Operating income in this year's first quarter was \$7.8 million, or 25% of revenues, despite the higher operating expenses mentioned above, as compared to \$4.6 million, or 23% of revenues, in last year's first quarter.

- Net income increased to \$6.0 million, or \$0.65 per diluted share, compared to \$3.6 million, or \$0.40 per diluted share, in the prior-year quarter.
- The Company's cash on hand as of September 30, 2020 was \$36.7 million, compared to \$28.6 million as of June 30, 2020 and \$21.3 million as of September 30, 2019. In this year's first quarter, the Company generated \$8.1 million of net cash, including cash generated from operating activities of \$11.7 million, partially offset by \$1.6 million paid in cash dividends to our stockholders, \$1.6 million in capital expenditures and capitalized software costs, \$0.2 million to pay down the Company's term loan, and \$0.2 million used to satisfy tax withholding obligations for vested shares.
- On October 1, 2020, the Company leased an additional 62,870 square feet of space, adjacent to the existing operations and headquarter facility, which doubles the square footage available to accommodate future growth.
- On October 26, 2020 the Company announced its quarterly dividend of \$0.175 per share, which will be paid on November 27, 2020 to stockholders of record on November 13, 2020.

Outlook

Orlando concluded, "As we enter the second quarter, the record backlog in the PSA division will help moderate any volatility in authentication and grading revenues, in what has typically been the seasonally slowest quarter in our fiscal year. We have visibility into this side of our business, which helps support our efforts to begin staging our capacity expansion efforts over the coming quarters. As throughput increases, the average ASP in our PSA division could fluctuate due to changes in submission mix. Additionally, the outlook for PCGS remains solid, but somewhat tempered due to the near-term obstacles that are present in the coin business with the ongoing absence of major tradeshows and restricted international travel.

"With a great start to the new fiscal year, we remain focused on the opportunity we have in front of us to grow the business. To fully capitalize on that opportunity, we plan to continue investing in our operations, in terms of personnel, capacity and technology. Some of these actions will bear fruit immediately, as we showcased in the first quarter, while others will potentially be key contributors to the long-term evolution of our Company, which can help drive increased shareholder value."

Conference Call and Webcast

Collectors Universe will host a conference call to discuss results on Monday, November 2, 2020 at 4:30 p.m. Eastern Time/1:30 p.m. Pacific Time. Interested parties may participate in the conference call by dialing 866-269-4260 or 323-289-6576, using the confirmation code 5839052, five to ten minutes prior to the initiation of the call. A replay of the conference call will be available through November 16, 2020 by dialing 888-203-1112 or 719-457-0820 and entering access code 5839052#. A live webcast of the conference call, as well as a company fact sheet for investors, 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 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 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 coins, and cards and autographs businesses, which historically have generated more than 90% of our total consolidated revenues and a substantial portion of our operating income, which make our operating results more vulnerable to conditions that could adversely affect those businesses, such as the volatility of precious metals prices that could adversely affect our coin revenues; the risk that the prolonged effects of COVID-19, and the business closures and travel restrictions that have been imposed in response to that outbreak, will adversely affect our revenues and operating performance, and could cause us to incur operating losses and declines in cash flows; 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 the continued effects of COVID-19 and resulting adverse economic or market conditions, as well as our financial performance and the cash needs of our business in the future; the risk that domestic or international economic conditions may deteriorate as a result of events outside of our control, that could lead to reductions in the demand for our collectibles authentication and grading services and, consequently, in our revenues and operating results; the risk that the weakness or volatility of economic conditions will lead to longer-term changes in the spending habits of consumers and in the availability 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 profit margin and operating results to decline or cause us to incur operating losses; the risk that our strategies of offering services in newer geographic areas, such as Europe and Asia, or potentially investing in new lines of business, will not be successful in enabling us to improve our profitability or may even cause us to incur significant losses; and the risks and added complexity of conducting business overseas.

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, 2020 which we filed with the Securities and Exchange Commission on August 26, 2020. Readers of this news release are urged to review the discussion of those risks and uncertainties in that Report. Also, our 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 in the future may become, material to our business or operating results. Due to the aforementioned risks and uncertainties, readers are cautioned not to place undue reliance on the forward-looking statements contained, implied or inferred, in this news release or in our Annual or Quarterly Reports filed with the Securities and Exchange Commission (the SEC), 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 or Quarterly Reports that we have filed with the SEC, as a result of new information, future events or otherwise, except as may be required by law or NASDAQ rules.

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

	Three Months Ended	
	September 30,	
	2020	2019
Net revenues	\$ 30,785	\$ 20,210
Cost of revenues	11,474	8,101
Gross profit	19,311	12,109
Operating expenses:		
Selling and marketing expenses	2,269	2,633
General and administrative expenses	9,233	4,839
Total operating expenses	11,502	7,472
Operating income	7,809	4,637
Interest income and other expense, net	18	71
Income before provision for income taxes	7,827	4,708
Provision for income taxes	1,865	1,095
Net Income	<u>\$ 5,962</u>	<u>\$ 3,613</u>
Net income per share:		
Basic	<u>\$ 0.66</u>	<u>\$ 0.40</u>
Diluted	<u>\$ 0.65</u>	<u>\$ 0.40</u>
Weighted average shares outstanding:		
Basic	9,027	8,973
Diluted	9,120	9,060
Dividends declared per common share	\$ 0.175	\$ 0.175
Note:		
Non-cash stock-based compensation included above	\$ 1,140	\$ 264

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

ASSETS	September 30,	
	2020	June 30, 2020
Current assets:		
Cash and cash equivalents	\$ 36,731	\$ 28,640
Accounts receivable, net of allowance of \$121 and \$98 at September 30, and June 30, 2020, respectively	2,770	2,324
Inventories, net	2,468	2,512
Prepaid expenses and other current assets	1,817	1,872
Total current assets	<u>43,786</u>	<u>35,348</u>

Property and equipment, net	7,472	6,762
Operating lease right-of-use assets	7,915	8,214
Goodwill	1,625	1,625
Intangible assets, net	2,519	2,446
Deferred income tax assets	623	623
Other assets	468	464
Total assets	<u>\$ 64,408</u>	<u>\$ 55,482</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 3,748	\$ 3,381
Accrued liabilities	4,308	2,713
Accrued compensation and benefits	4,783	4,854
Current portion of long-term debt	750	750
Operating lease liabilities, current	2,270	2,274
Income taxes payable	1,986	1,142
Deferred revenue	6,376	4,968
Total current liabilities	<u>24,221</u>	<u>20,082</u>

Long Term Debt	750	938
Operating lease liabilities, non-current	9,141	9,450

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; 9,299 and 9,240 issued and outstanding at September 30, and June 30, 2020, respectively.	9	9
Additional paid-in capital	89,820	88,918
Accumulated deficit	(59,533)	(63,915)
Total stockholders' equity	<u>30,296</u>	<u>25,012</u>
Total liabilities and stockholders' equity	<u>\$ 64,408</u>	<u>\$ 55,482</u>

COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)
(Unaudited)

	Three Months Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 5,962	\$ 3,613
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization expense	806	710
Stock-based compensation expense	1,140	264
Non-cash lease expense	(14)	(141)
Provision (recovery) for bad debts	23	8
Provision for inventory write-down	15	2
Provision for warranty	238	41
Change in operating assets and liabilities:		
Accounts receivable	(469)	(294)
Inventories	30	(156)
Prepaid expenses and other	52	(13)
Other assets	(3)	6
Accounts payable and accrued liabilities	1,734	713
Accrued compensation and benefits	(72)	(1,081)
Income taxes payable	843	680
Deferred revenue	1,408	(16)
Net cash provided by operating activities	<u>11,693</u>	<u>4,336</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		

Capital expenditures	(1,207)	(211)
Capitalized software	(381)	(279)
Net cash used in investing activities	<u>(1,588)</u>	<u>(490)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayments under Term Loan	(188)	(188)
Dividends paid to common stockholders	(1,588)	(1,583)
Payments for retirement of common stock	(238)	-
Net cash used in financing activities	<u>(2,014)</u>	<u>(1,771)</u>

Net increase in cash and cash equivalents	8,091	2,075
Cash and cash equivalents at beginning of period	28,640	19,225
Cash and cash equivalents at end of period	<u>\$ 36,731</u>	<u>\$ 21,300</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Interest paid during the period	\$ 26	\$ 35
Income taxes paid during the period	<u>\$ 1,022</u>	<u>\$ 376</u>