

## MIRA INFORM REPORT

<b>Report No. :</b>	520824
<b>Report Date :</b>	23.07.2018

### IDENTIFICATION DETAILS

<b>Name :</b>	SOTHEBY'S
<b>Registered Office :</b>	Corporation Trust Center 1209 Orange St, Wilmington, New Castle, De, 19801
<b>Country :</b>	United States
<b>Financials (as on) :</b>	31.12.2017
<b>Year of Establishment :</b>	1937
<b>Legal Form :</b>	Corporation
<b>Line of Business :</b>	<ul style="list-style-type: none"> <li>• Subject provides auction services.</li> <li>• The Company conducts auctions and private sales of modern art, decorative art, antiques, jewelry, collectibles and historical objects. The company also brokers art and collectible purchases and sales.</li> <li>• Business Services, NEC</li> <li>• All other professional, scientific and technical services.</li> </ul>
<b>No. of Employees :</b>	1,662

**RATING & COMMENTS**

(Mira Inform has adopted New Rating mechanism w.e.f. 23<sup>rd</sup> January 2017)

**MIRA's Rating :**

A+

Credit Rating	Explanation	Rating Comments
A+	Low Risk	Business dealings permissible with low risk of default

<b>Status :</b>	Good
<b>Payment Behaviour :</b>	Regular
<b>Litigation :</b>	Exist

**NOTES:**

Any query related to this report can be made on e-mail: [infodept@mirainform.com](mailto:infodept@mirainform.com) while quoting report number, name and date.

**ECGC Country Risk Classification List**

Country Name	Previous Rating (31.12.2017)	Current Rating (01.04.2018)
United States	A1	A1

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

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**UNITED STATES - ECONOMIC OVERVIEW**

The US has the most technologically powerful economy in the world, with a per capita GDP of \$59,500. US firms are at or near the forefront in technological advances, especially in computers, pharmaceuticals, and medical, aerospace, and military equipment; however, their advantage has narrowed since the end of World War II. Based on a comparison of GDP measured at purchasing power parity conversion rates, the US economy in 2014, having stood as the largest in the world for more than a century, slipped into second place behind China, which has more than tripled the US growth rate for each year of the past four decades.

In the US, private individuals and business firms make most of the decisions, and the federal and state governments buy needed goods and services predominantly in the private marketplace. US business firms enjoy greater flexibility than their counterparts in Western Europe and Japan in decisions to expand capital plant, to lay off surplus workers, and to develop new products. At the same time, businesses face higher barriers to enter their rivals' home markets than foreign firms face entering US markets.

Long-term problems for the US include stagnation of wages for lower-income families, inadequate investment in deteriorating infrastructure, rapidly rising medical and pension costs of an aging population, energy shortages, and sizable current account and budget deficits.

The onrush of technology has been a driving factor in the gradual development of a "two-tier" labor market in which those at the bottom lack the education and the professional/technical skills of those at the top and, more and more, fail to get comparable pay raises, health insurance coverage, and other benefits. But the globalization of trade, and especially the rise of low-wage producers such as China, has put additional downward pressure on wages and upward pressure on the return to capital. Since 1975, practically all the gains in household income have gone to the top 20% of households. Since 1996, dividends and capital gains have grown faster than wages or any other category of after-tax income.

Imported oil accounts for more than 50% of US consumption and oil has a major impact on the overall health of the economy. Crude oil prices doubled between 2001 and 2006, the year home prices peaked; higher gasoline prices ate into consumers' budgets and many individuals fell behind in their mortgage payments. Oil prices climbed another 50% between 2006 and 2008, and bank foreclosures more than doubled in the same period. Besides dampening the housing market, soaring oil prices caused a drop in the value of the dollar and a deterioration in the US merchandise trade deficit, which peaked at \$840 billion in 2008. Because the US economy is energy-intensive, falling oil prices since 2013 have alleviated many of the problems the earlier increases had created.

The sub-prime mortgage crisis, falling home prices, investment bank failures, tight credit, and the global economic downturn pushed the US into a recession by mid-2008. GDP contracted until the third quarter of 2009, the deepest and longest downturn since the Great Depression. To help stabilize financial markets, the US Congress established a \$700 billion Troubled Asset Relief Program (TARP) in October 2008. The government used some of these funds to purchase equity in US banks and industrial corporations, much of which had been returned to the government by early 2011. In January 2009, Congress passed and former President Barack OBAMA signed a bill providing an additional \$787 billion fiscal stimulus to be used over 10 years - two-thirds on additional spending and one-third on tax cuts - to create jobs and to help the economy recover. In 2010 and 2011, the federal budget deficit reached nearly 9% of GDP. In 2012, the Federal Government reduced the growth of spending and the deficit shrank to 7.6% of GDP. US revenues from taxes and other sources are lower, as a percentage of GDP, than those of most other countries.

Wars in Iraq and Afghanistan required major shifts in national resources from civilian to military purposes and contributed to the growth of the budget deficit and public debt. Through FY 2018, the direct costs of the wars will have totaled more than \$1.9 trillion, according to US Government figures.

In March 2010, former President OBAMA signed into law the Patient Protection and Affordable Care Act (ACA), a health insurance reform that was designed to extend coverage to an additional 32 million Americans by 2016,

through private health insurance for the general population and Medicaid for the impoverished. Total spending on healthcare - public plus private - rose from 9.0% of GDP in 1980 to 17.9% in 2010.

In July 2010, the former president signed the DODD-FRANK Wall Street Reform and Consumer Protection Act, a law designed to promote financial stability by protecting consumers from financial abuses, ending taxpayer bailouts of financial firms, dealing with troubled banks that are "too big to fail," and improving accountability and transparency in the financial system - in particular, by requiring certain financial derivatives to be traded in markets that are subject to government regulation and oversight.

In December 2012, the Federal Reserve Board (Fed) announced plans to purchase \$85 billion per month of mortgage-backed and Treasury securities in an effort to hold down long-term interest rates, and to keep short-term rates near zero until unemployment dropped below 6.5% or inflation rose above 2.5%. The Fed ended its purchases during the summer of 2014, after the unemployment rate dropped to 6.2%, inflation stood at 1.7%, and public debt fell below 74% of GDP. In December 2015, the Fed raised its target for the benchmark federal funds rate by 0.25%, the first increase since the recession began. With continued low growth, the Fed opted to raise rates several times since then, and in December 2017, the target rate stood at 1.5%.

In December 2017, Congress passed and President Donald TRUMP signed the Tax Cuts and Jobs Act, which, among its various provisions, reduces the corporate tax rate from 35% to 21%; lowers the individual tax rate for those with the highest incomes from 39.6% to 37%, and by lesser percentages for those at lower income levels; changes many deductions and credits used to calculate taxable income; and eliminates in 2019 the penalty imposed on taxpayers who do not obtain the minimum amount of health insurance required under the ACA. The new taxes took effect on 1 January 2018; the tax cut for corporations are permanent, but those for individuals are scheduled to expire after 2025. The Joint Committee on Taxation (JCT) under the Congressional Budget Office estimates that the new law will reduce tax revenues and increase the federal deficit by about \$1.45 trillion over the 2018-2027 period. This amount would decline if economic growth were to exceed the JCT's estimate.

Source : CIA

## **STATUTORY INFORMATION**

**Legal Name:** SOTHEBY'S  
**TradeName:** SOTHEBY'S  
**ID:** 4134614  
**Date Created:** 1937  
**Date Incorporated:** 3/30/2006  
**Legal Address:** CORPORATION TRUST CENTER 1209 ORANGE ST,  
WILMINGTON, NEW CASTLE, DE, 19801, USA  
**Operative Address:** 1334 York Avenue  
New York, NY 10021  
United States  
**Telephone:** +1 212-606-7000  
**Fax:** +1 212-894-1141  
**Legal Form:** CORPORATION  
**Email:** [enquiries@sothebys.com](mailto:enquiries@sothebys.com)  
**Registered in:** DELAWARE  
**Website:** [www.sothebys.com](http://www.sothebys.com)  
**Contact:** Mr. Thomas S. Smith Jr. - President, CEO & Director  
**Staff:** 1,662  
**Activity:** SIC Code 7389, Business Services, NEC  
NAICS Code 541990, All Other Professional, Scientific, and  
Technical Services

## **BANKS**

Under certain circumstances, they provide loans to certain art dealers to finance the purchase of works of art. In these situations, they acquire a partial ownership interest or a security interest in the purchased property in addition to providing the loan. Upon the eventual sale of the property acquired, the loan is repaid. As of December 31, 2016, such loans totaled \$3.8 million . In the fourth quarter of 2017, they determined one of these loans to be impaired as a result of the bankruptcy of the art dealer and recorded a credit loss of \$1.5 million in the period. They have commenced legal proceedings against one of the individuals who personally guaranteed this loan. As of December 31, 2017 , they had one loan outstanding of this type with a balance of \$2.1 million . They are are no longer accruing interest on this loan, but they believe that the recorded balance of the loan is collectible.

Loan Agreement, dated as of July 1, 2015, among 1334 York, LLC, as Borrower, HSBC Bank USA, National Association, as Agent, HSBC Bank USA, National Association and Industrial and Commercial Bank of China, Limited, New York Branch, as Lenders and collectively, as Lead Arranger, and the other Lenders from time to time a party thereto, incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K filed on July 6, 2015.

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## **HISTORY**

Sotheby's was founded in 1937 and is based in New York, New York.

### **Key Developments:**

#### **Sotheby's Spring 2018 Hong Kong Sales Total \$466.5 Min**

**Tuesday, 3 Apr 2018 09:08am EDT**

April 3 (Reuters) - Sotheby's ::SOTHEBY'S SPRING 2018 HONG KONG SALES TOTAL \$466.5 MILLION.

#### **Sotheby's Extends Share Ownership To Employees Around The World**

**Tuesday, 27 Mar 2018 09:30am EDT**

March 27 (Reuters) - Sotheby's ::SOTHEBY'S EXTENDS SHARE OWNERSHIP TO EMPLOYEES AROUND THE WORLD.SOTHEBY'S - AS A RESULT OF NEW COMPENSATION PROGRAM, 98% OF GLOBAL EMPLOYEES WILL EITHER OWN SHARES IN SOTHEBY'S, OR WILL RECEIVE CASH UNITS .SOTHEBY'S - ALL ELIGIBLE EMPLOYEES AROUND WORLD HAVE BEEN GRANTED RESTRICTED STOCK UNITS, REPRESENTING SHARES OF SOTHEBY'S COMMON STOCK, THIS MONTH.

#### **Sotheby'S Reports Q4 Earnings Per Share \$1.43**

**Thursday, 1 Mar 2018 07:00am EST**

March 1 (Reuters) - Sotheby's ::SOTHEBY'S REPORTS 2017 FULL YEAR AND FOURTH QUARTER FINANCIAL RESULTS.Q4 ADJUSTED EARNINGS PER SHARE \$1.47.Q4 EARNINGS PER SHARE \$1.43.BOARD APPROVES \$100 MILLION INCREASE TO SHARE REPURCHASE AUTHORIZATION.QTRLY TOTAL REVENUES \$315.6 MILLION VERSUS \$308.7 MILLION.Q4 EARNINGS PER SHARE VIEW \$1.34, REVENUE VIEW \$311.3 MILLION -- THOMSON REUTERS I/B/E/S.

## **PRINCIPAL ACTIVITY**

Sotheby's provides auction services.

### **Products/Services description:**

The Company conducts auctions and private sales of modern art, decorative art, antiques, jewelry, collectibles

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**Brands:**  
**Sales are:**  
**Clients:**

and historical objects. The company also brokers art and collectible purchases and sales.

Sotheby's  
Wholesale

Andrews Charles Lawrie  
Sotheby S Mexico S De RI De Cv  
Fernandez/Diaque/Raul  
Fundacion Carlos Slim A.C.  
United Parcel Service de Mexico S.A. de C.V.

**Suppliers:**

Znalecký institut s.r.o.  
Zabalaga Leku  
Darryl Mark Flint  
Tpe Ltd.

**Operations area:**

National and International

**The company imports from**

CZECH REPUBLIC  
SPAIN  
CHINA

**The company exports to**

JAPAN  
COLOMBIA  
MEXICO

**The subject employs**

1,662 employees

**Payments:**

Regular

## **LOCATION**

**Headquarters :**

1334 York Avenue  
New York, NY 10021  
United States

**Branches:**

No other branches were found.

**Subsidiaries:**

1334 York, LLC - Delaware  
Fine Art Insurance Ltd. - Bermuda  
Oatshare Ltd. - United Kingdom  
Sotheby's - United Kingdom  
Sotheby's A.G. - Switzerland  
Sotheby's Amsterdam BV - Netherlands  
Sotheby's Financial Services, Inc. - Nevada  
Sotheby's Fine Art Holdings, Inc. - Delaware  
Sotheby's France S.A.S. - France  
Sotheby's Global Trading, GmbH - Switzerland  
Sotheby's Hong Kong, Ltd. - Hong Kong  
Sotheby's Italia S.r.L. - Italy  
Sotheby's Nederland B.V. - Netherlands  
Sotheby's, Inc. - New York  
SPTC Delaware LLC - Delaware  
SPTC, Inc. - Nevada

York UK Holdco International Ltd. - United Kingdom  
York Luxembourg Holdings International S.a.r.l. -  
Luxembourg  
York Holdings International, Inc. - Delaware

## **GROUP STRUCTURE AND SUBSIDIARY COMPANIES**

**Listed at the stock exchange:** YES: Sotheby's (BID)  
**Market Capital:** 2.928B  
**Outstanding Shares:** 52,461,996  
**Shareholders:**

### **Top Institutional Holders**

<b>Holder</b>	<b>Shares</b>
Third Point, LLC	6,661,604
Blackrock Inc.	3,921,869
Vanguard Group, Inc. (The)	3,878,885
AllianceBernstein, L.P.	3,730,808
Clal Insurance Enterprises Holdings Ltd	1,600,000
Victory Capital Management Inc.	1,446,850
Dimensional Fund Advisors LP	1,384,392
Van Berkomp & Associates Inc.	1,312,120
State Street Corporation	1,308,618
Conestoga Capital Advisors, LLC	1,273,438

### **Top Mutual Fund Holders**

<b>Holder</b>	<b>Shares</b>
Vanguard Small-Cap Index Fund	1,037,677
Vanguard Total Stock Market Index Fund	1,027,670
iShares Core S&P Midcap ETF	936,609
iShares Russell 2000 ETF	748,839
Victory Portfolios-Sycamore Small Company Opportunity Fund	728,653
AB Discovery Value Fund	714,500
Undiscovered Managers Behavioral Value Fund	649,022
DFA U.S. Small Cap Series	641,353
Openheimer Global Opportunities Fund	600,000
Vanguard Extended Market Index Fund	580,618

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**Management:**

Mr. Thomas S. Smith Jr. - President, CEO & Director  
Mr. Michael Fenton Goss - Exec. VP & CFO  
Mr. Adam David Chinn - Exec. VP & COO  
Mr. David Goodman - Exec. VP of Digital Devel. & Marketing  
Mr. Valentino D. Carlotti - Exec. VP & Global Head of Bus. Devel.

## **FINANCIAL INFORMATION**

We attach company's last financial statements.

March 1, 2018 - Sotheby's (NYSE: BID) reported its financial results for the fourth quarter and twelve months ended December 31, 2017.

For the twelve months ended December 31, 2017, Sotheby's reported net income of \$118.8 million, or \$2.20 per diluted share. These results represent improvements of 60% from \$74.1 million and 73% from \$1.27 in the prior year. Excluding certain charges in both periods, Adjusted Net Income\* improved 22% from \$99.6 million to \$121.7 million and Adjusted Diluted Earnings Per Share\* improved 32% from \$1.71 to \$2.25 per diluted share.

- Consolidated Sales increased 12% to \$5.5 billion and Aggregate Auction Sales rose 8% to \$4.6 billion in 2017 versus the prior year.
- Aggregate Auction Sales of Contemporary Art and Impressionist and Modern Art improved 29% and 33%, respectively, from 2016 to 2017.
- Asian clients contributed \$1.6 billion of 2017 Aggregate Auction Sales.
- Private sales grew 28% in 2017 to \$744.6 million, a four-year high.
- 23% of all lots sold in 2017 were purchased by online buyers, for a total of \$180 million, a 16% increase compared to the prior year.
- Total revenues in 2017 increased 23% to \$989.4 million, in large part due to a strengthening art market and

increased efforts to reduce our legacy inventory balance.

## **LEGAL FILINGS**

### **CASES**

Sotheby's, Inc. v. Losa  
Plaintiff: Sotheby's, Inc.  
Defendant: Eugenio Paolo Losa  
Case Number: 1:2017cv09965  
Filed: December 21, 2017  
Court: New York Southern District Court  
Office: Foley Square Office  
Presiding Judge: Valerie E. Caproni  
Nature of Suit: Other Contract  
Cause of Action: 28:1332  
Jury Demanded By: Plaintiff

Pardel Enterprises Limited v. Sotheby's, Inc.  
Plaintiff: Pardel Enterprises Limited  
Defendant: Sotheby's, Inc.  
Case Number: 1:2017cv08351  
Filed: October 30, 2017  
Court: New York Southern District Court  
Office: Foley Square Office  
Presiding Judge: Edgardo Ramos  
Nature of Suit: Other Contract  
Cause of Action: 28:1332  
Jury Demanded By: Plaintiff

Hancock et al v. Sotheby's Inc. et al  
Plaintiff: Jemal Lavan Hancock and Lavan Galleries LLC  
Defendant: Sotheby's Inc., Sotheby's  
Holdings, Inc. and Benjamin Doller  
Case Number: 1:2017cv07446  
Filed: October 15, 2017  
Court: Illinois Northern District Court  
Office: Chicago Office  
County: Cook  
Presiding Judge: Andrea R. Wood  
Nature of Suit: Other Fraud  
Cause of Action: 28:1332  
Jury Demanded By: Plaintiff

### **TRADEMARKS**

**SOTHEBY'S RESTORATION**  
Appraisal of Fine and Decorative Works of Art, Jewelry,  
Stamps, Coins, Books, Antiques, and Other Valuable  
Personal Property...

Owned by: SOTHEBY'S INC.  
Serial Number: 73288114

SOTHEBY'S YORK TRANSPORT COMPANY  
TRANSPORTATION SERVICES, NAMELY, THE  
TRANSPORTATION OF ART AND ANTIQUES OF  
OTHERS BY MEANS OF TRUCK, AIRPLANE OR TRAIN  
Owned by: SOTHEBY'S INC.  
Serial Number: 73788111

**UCC:**

Debtor Names: SOTHEBY'S INC  
1334 YORK AVE, NEW YORK, NY 10021-0000, USA  
Secured Party Names: MCS BUSINESS SOLUTIONS  
P.O. BOX 728, PARK RIDGE, NJ 07656-0000, USA  
File no. File Date Lapse Date Filing Type  
024075 02/04/1999 02/04/2004 Financing  
Statement  
1200308115254198 08/11/2003 02/04/2009  
Continuation

Debtor Names: SOTHEBY'S INC  
1334 YORK AVE, NEW YORK, NY 10021-0000, USA  
Secured Party Names: MCS BUSINESS SOLUTIONS  
P.O. BOX 728, PARK RIDGE, NJ 07656-0000, USA  
File no. File Date Lapse Date Filing Type  
078981 04/21/1999 04/21/2004 Financing  
Statement  
200404205311686 04/20/2004 04/21/2009  
Continuation

Debtor Names: SOTHEBY'S, INC.  
1334 YORK AVENUE, NEW YORK, NY 10021-0000, USA  
Secured Party Names: THE CHASE MANHATTAN BANK,  
AS COLLATERAL AGENT  
200 JERICHO QUADRANGLE, JERICHO, NY 11753-0000,  
USA  
File no. File Date Lapse Date Filing Type  
146010 08/06/2001 08/06/2006 Financing  
Statement  
201492 10/19/2001 08/06/2006 Financing  
Statement Amendment  
200306051115751 06/05/2003 08/06/2006  
Financing Statement Amendment  
200403090247777 03/09/2004 08/06/2006  
Termination  
200403110252583 03/11/2004 08/06/2006  
Termination

Debtor Names: SOTHEBY'S, INC.  
1334 YORK AVENUE, NEW YORK, NY 10021-0000, USA  
Secured Party Names: CADMUS PARTNERSHIP, LTD.  
681 ANDERSEN DRIVE, PITTSBURGH, PA 15220-0000,

USA

File no.	File Date	Lapse Date	Filing Type
078736	04/05/2002	04/05/2007	Financing Statement

Debtor Names: SOTHEBY'S INC  
1334 YORK AVE, NEW YORK, NY 10021-0000, USA  
Secured Party Names: RAYMOND LEASING  
CORPORATION  
20 SOUTH CANAL ST., GREENE, NY 13778-0000, USA

File no.	File Date	Lapse Date	Filing Type
194762	08/22/2002	08/22/2007	Financing Statement

## SUMMARY

Sotheby's provides auction services.

The Company conducts auctions and private sales of modern art, decorative art, antiques, jewelry, collectibles and historical objects. The company also brokers art and collectible purchases and sales.

The company has 1,662 regular employees. It operates nationally and internationally, mainly exporting to Colombia and Mexico.

The company shows positive profitability in its last financial figures.

## RISK INFORMATION

DEBTS	-
PAYMENTS	Regular
CASH FLOW	Normal
STATUS	Active

## INTERVIEW

NAME	Amanda
POSITION	Operator
COMMENTS	She confirmed the name of the company, the address of the headquarters and location, the date of creation of the company, the number of employees and the name of the President.

**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 68.85
UK Pound	1	INR 89.67
Euro	1	INR 80.31
USD	1	INR 68.73

**Note:** Above are approximate rates obtained from sources believed to be correct

**INFORMATION DETAILS**

<b>Analysis Done by :</b>	VIV
<b>Report Prepared by :</b>	NIT

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**RATING EXPLANATIONS**

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)