

**ELEVATION CAPITAL MANAGEMENT LIMITED:
TIFFANY & CO [TIF:US]**



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IMPORTANT DISCLOSURE AND DISCLAIMERS PART II

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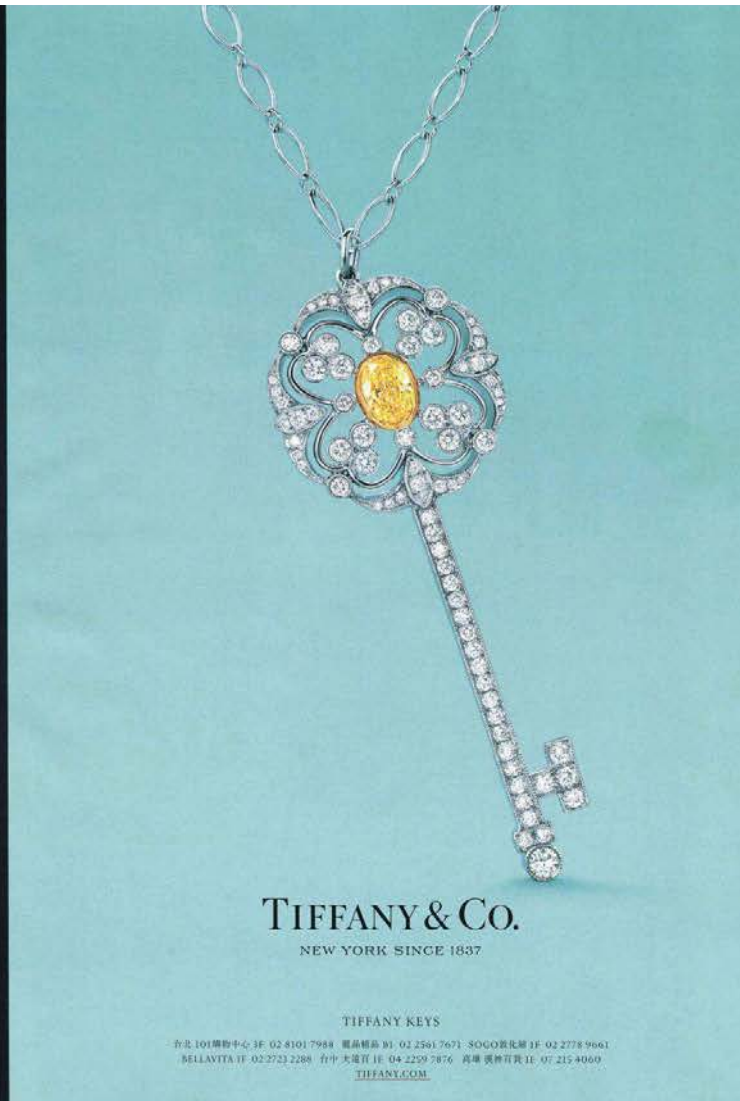
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TIFFANY: ARBITER OF TASTE AND STYLE



TIFFANY & Co.
NEW YORK SINCE 1837

TIFFANY KEYS

台北 101購物中心 3F: 02-8101-7988 麗晶精品 B1: 01-2561-7671 SOGO敦化北路 3F: 02-2778-9661
BELLAVITA 1F: 02-2723-2288 台中 大遠百 1E: 04-2259-7876 高雄 漢神百貨 1E: 07-215-4060
TIFFANY.COM

TIFFANY: IMMORTALISED BY 1961 MOVIE "BREAKFAST AT TIFFANY'S"



TIFFANY: FEATURE FILM RENAISSANCE– THE GREAT GATSBY



TIFFANY: TREMENDOUS HUMAN CONNECTION TO THE TIFFANY BRAND

Couples **Blue Box** **True Love** **Ribbons**
Diamond Engagement Rings **Elegance**
Anniversary
Audrey Hepburn **Breakfast at Tiffany's**
Weddings
Gift-giving **Tiffany's Blue**
Luxury **Timeless Beauty** **Birthdays** **Friendship**
Romance **Lock and Key Charm**
Robin's Egg Blue **Sterling Silver**



TIFFANY: UNIQUE MARKET POSITIONING WITHOUT BRAND DILUTION



Statement, Fine & Solitaire Jewelry

23% of Sales
Average Price Sold = US\$ 4,600



Engagement Jewelry & Wedding Bands

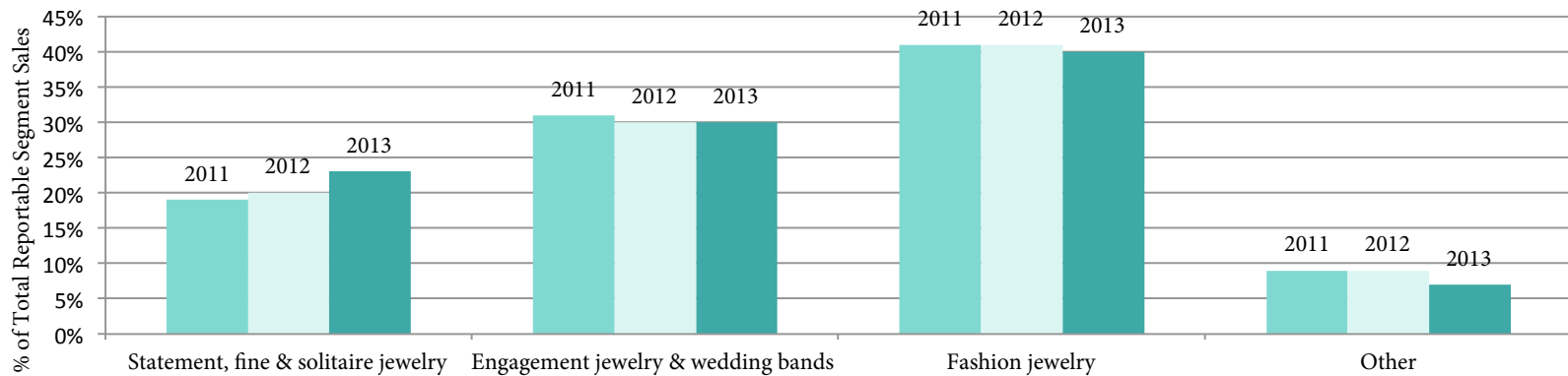
30% of Sales
Average Price Sold = US\$ 3,600



Fashion Jewelry

40% of Sales
Average Price Sold = US\$ 300

Sales by Reportable Segment



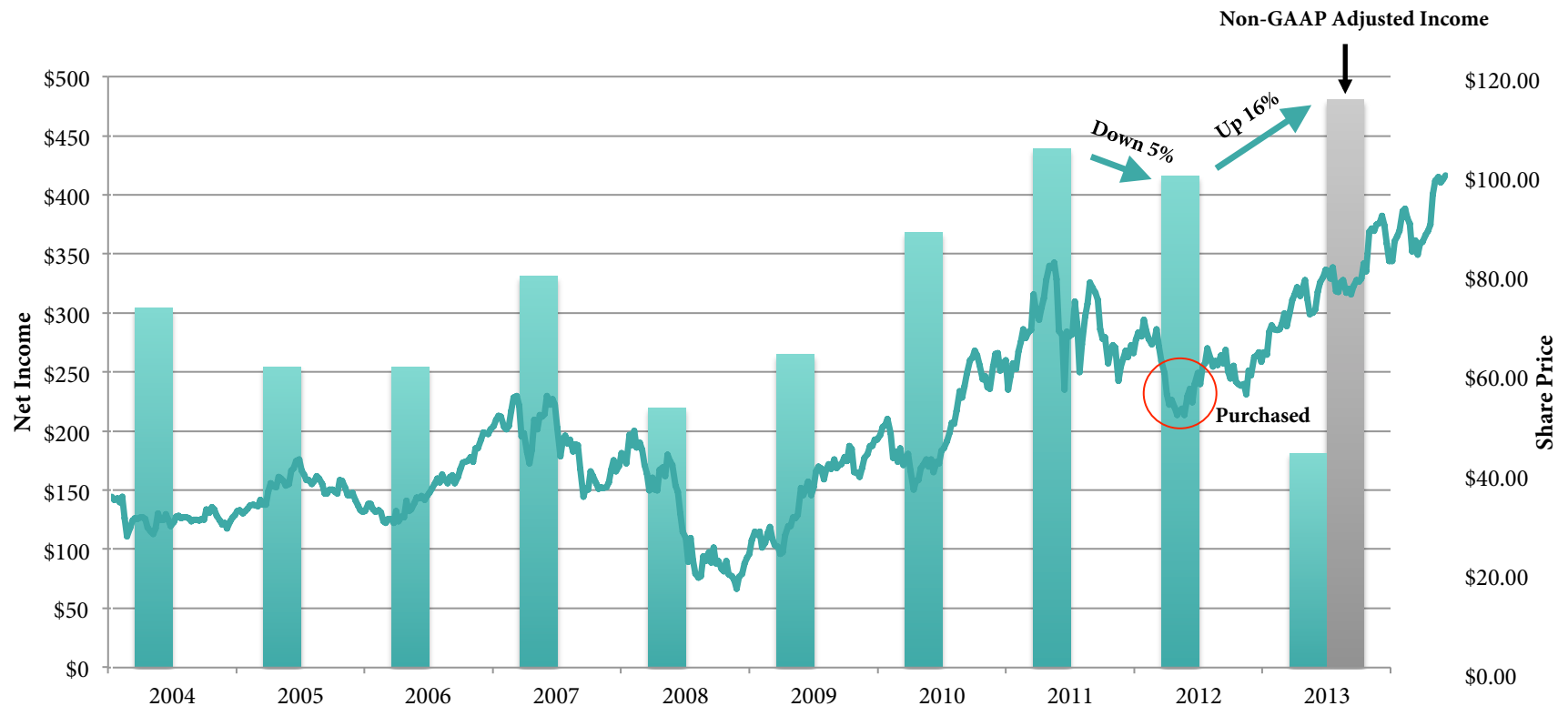
TIFFANY: A DIAMOND IS FOREVER

- Tiffany's reputation for finding the world's most spectacular diamonds dates back to 1848. That year, founder Charles Lewis Tiffany acquired caches of important diamonds and other gemstones from Europe in the 19th century—most notably, the French Crown Jewels. This shocking coup caused the American press to quickly dub him “The King of Diamonds.”
- 50% of what the company sells contains a diamond



TIFFANY: NEGATIVE HEADLINES PRESENTED AN OPPORTUNITY

- Swatch Group launched a claim of CHF 3.8B in damages against Tiffany in December 2011
- 2012 was a difficult year with challenging economic conditions and product cost pressures
- Share price declined 40% from US\$ 82.91 (Market Cap = US\$ 10.5B) on 22/7/2011 to \$49.72 (Market Cap = US\$ 6.3B) on 13/7/2012
- Swatch Group has been awarded CHF 402M in damages against Tiffany on 22 December 2013
- Current share price* = \$101.98 (Market Cap = \$13.1B), up 100%+ since our last purchase

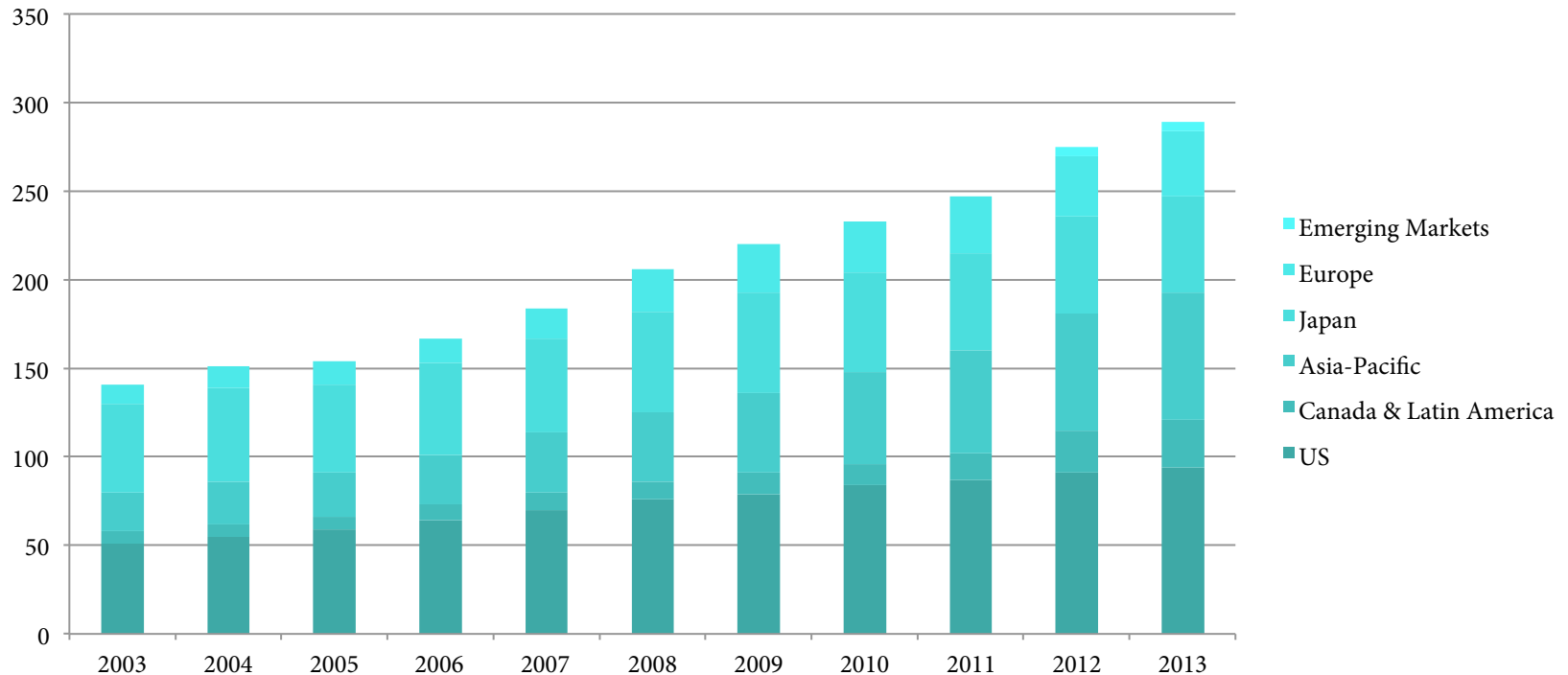


* AS AT 1/7/2014

TIFFANY: CONTINUING EXPANSION IN GROWTH MARKETS

- The key growth opportunities arise from the following regions. The growth in # of stores since 2003 as follows:
 - 227% for Asia-Pacific (ex-Japan), adding 50 stores
 - 286% for Canada & Latin America, adding 20 stores
 - 236% Europe, adding 26 stores
- Recently entered other Emerging Markets: Company-operated stores in UAE in 2012, Russia in 2014
- Forecasting a net 3% increase in Company-operated stores in 2014 (Opened 13 new stores, closed 4 older stores)

of Stores Operated by the Company*



* TIFFANY ANNUAL REPORTS

TIFFANY: EUROPEAN FLAGSHIP STORE OPENED ON CHAMPS ELYSEES



The opening on the Champs Élysées marks a new milestone in Tiffany's connection to Paris which began in 1850 when the company established its first store

TIFFANY: REAL ESTATE ASSET - FLAGSHIP STORE ON FIFTH AVENUE, NY

- The only store property the company owns is the Tiffany Flagship Store on Fifth Avenue. It is not mortgaged and is not for sale. The Tiffany diamond is on display at the store – it is in the books for US\$ 18,000 but is worth more than US\$ 20M
- The store was built for Tiffany in 1940. The company did an LBO from Avon and sold the building in the 1980's. They bought the building back from a Japanese corporation in 1999 for US\$ 100M



The newly completed Tiffany Flagship Store in 1940



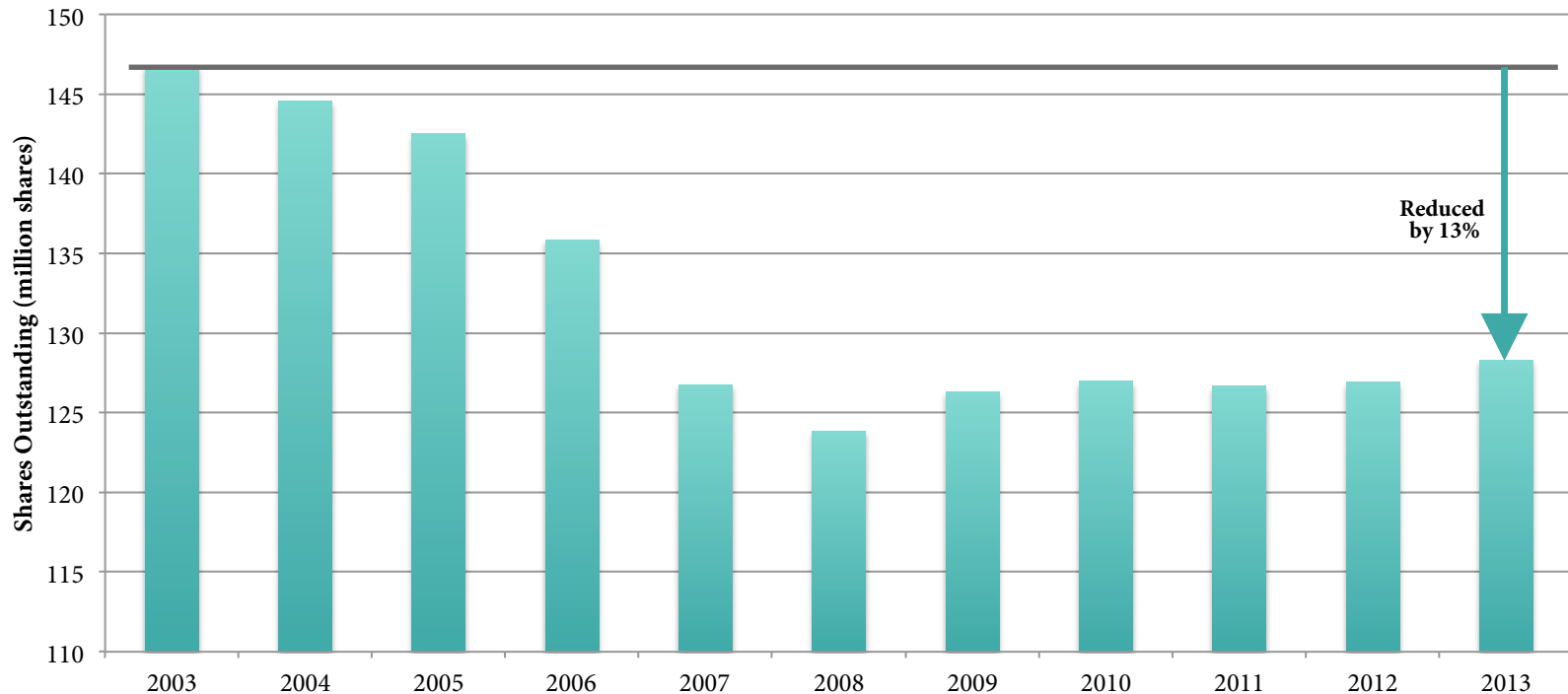
The Tiffany Flagship Store today

TIFFANY: CAPITAL RETURN VIA SHARE REPURCHASE

“In March 2014, the Company's Board of Directors approved a share repurchase program which authorizes the Company to repurchase up to \$300,000,000 of its Common Stock through open market transactions. Purchases are discretionary and will be made from time to time based on market conditions and the Company's liquidity needs. The program will expire on March 31, 2017. At April 30, 2014, approximately \$292,854,000 remained available for share repurchases under this authorization.”

Tiffany 2014 Q1 10Q Report

Tiffany & Co - Shares Outstanding

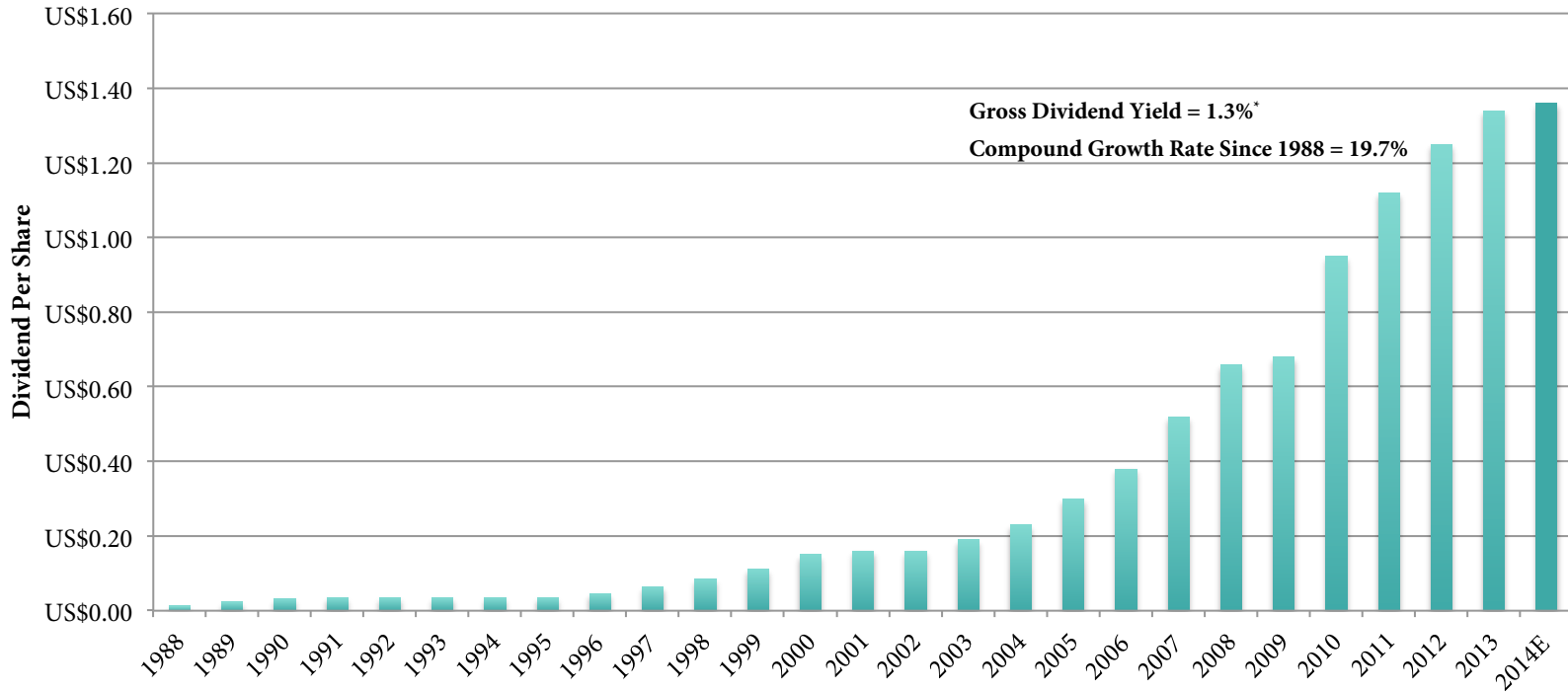


TIFFANY: CAPITAL RETURN VIA DIVIDENDS

“On May 22, 2014 , the Company’s Board of Directors approved a 12% increase in the quarterly dividend rate, increasing it from \$0.34 per share of Common Stock to a new rate of \$0.38. This dividend will be paid on July 10, 2014 to shareholders of record on June 20, 2014.”

Tiffany 2014 Q1 10Q Report

Tiffany & Co - Dividend History

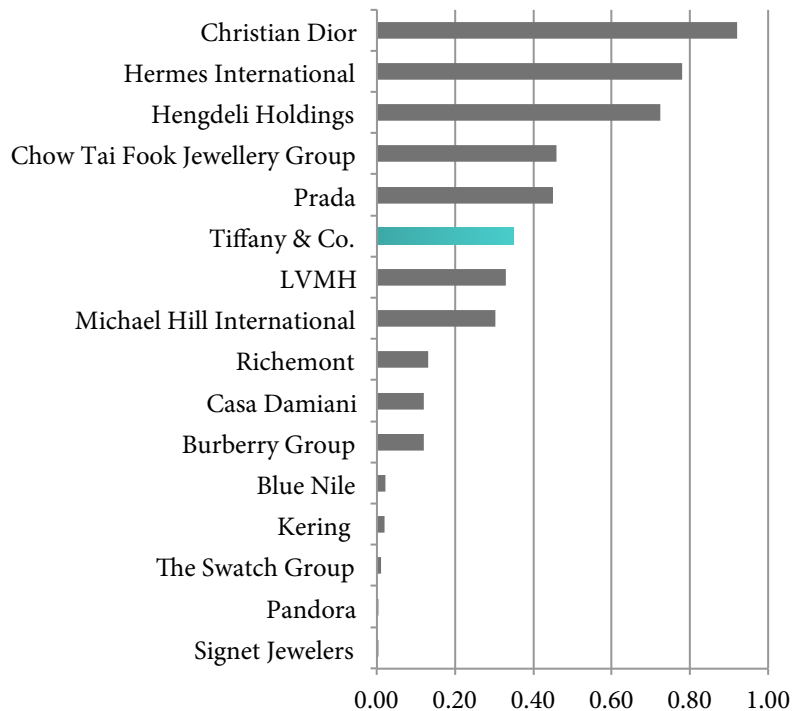


* AS AT 1/7/2014

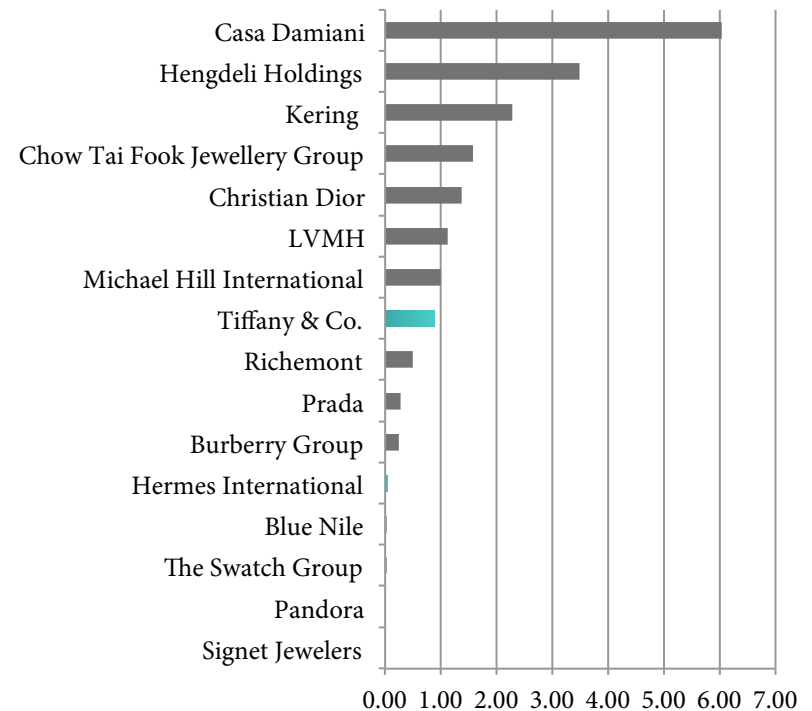
TIFFANY: LEVERAGE

- The company has higher financial leverage when compared to some global peers. However, on an absolute basis, it is very low (Total Debt/Equity = 0.35x, Net Debt/Equity = 0.21x)*
- The company's Total Debt is relatively low when compared to its forecast EBITDA (0.89x)*

Total Debt/Equity



Total Debt/EBITDA FY1

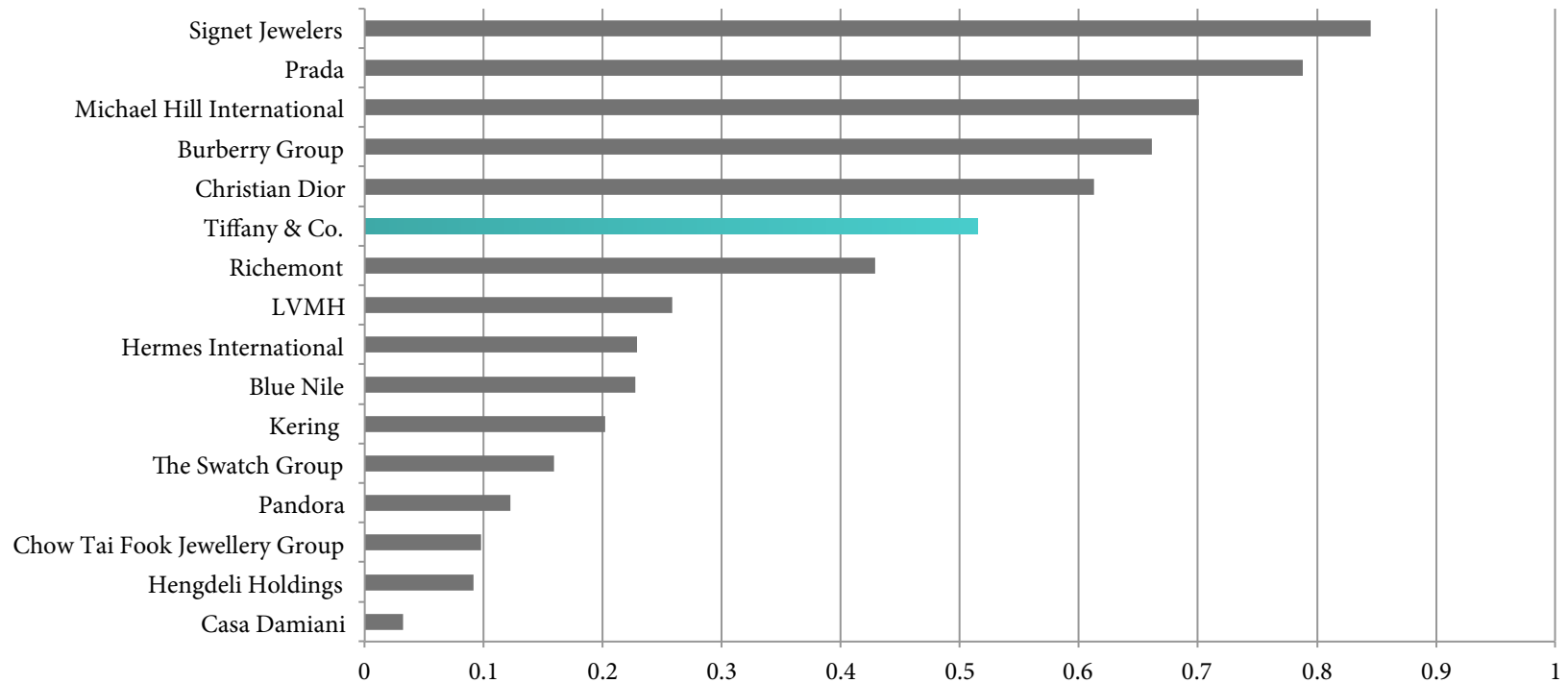


* DATA SOURCE: THOMSON REUTERS AS AT 1/7/2014

TIFFANY: LEASE LIABILITIES

- The company has higher operating lease liability leverage when compared to some global peers, as it leases all its stores except its New York Flagship Store (Operating Lease/Equity = 0.51x)*

Operating Lease/Equity*



* DATA SOURCE: LATEST ANNUAL REPORTS FOR THE COMPANIES IN THE CHART AS AT 7 JULY 2014

TIFFANY: COMPARABLE COMPANIES

- The stock is currently trading at a premium to its peers. However, we believe it deserves a premium because of its strong brand, unique market positioning in product offering and in the opportunity to geographically expand

VALUATION	P/E (TTM)	P/E (NTM)	PRICE / SALES (NTM)	EV / EBITDA (NTM)	PRICE / CF (NTM)	PRICE / BV (NTM)	DIV. YIELD (Latest)
Blue Nile	32.4x	29.0x	0.7x	8.4x	18.1x	11.9x	0.0%
Burberry Group	19.4x	18.7x	2.5x	10.3x	12.7x	4.6x	2.2%
Casa Damiani	n/a	48.9x	0.7x	12.5x	16.3x	1.9x	0.0%
Chow Tai Fook	16.1x	15.0x	1.4x	11.0x	16.1x	2.7x	3.0%
Christian Dior	15.6x	15.1x	0.8x	3.5x	4.6x	1.4x	1.7%
Hengdeli Holdings	11.1x	9.1x	0.4x	5.0x	5.4x	0.8x	2.3%
Hermes International	34.4x	31.0x	6.6x	17.8x	26.9x	6.7x	1.0%
Kering	16.2x	14.9x	1.9x	10.4x	12.1x	1.7x	2.3%
LVMH	19.4x	17.8x	2.2x	9.3x	13.5x	2.3x	2.2%
Pandora	21.1x	16.4x	4.7x	12.8x	16.9x	8.0x	1.6%
Prada	21.2	19.5x	3.4x	10.2x	14.4x	4.2x	2.1%
Richemont	20.2x	18.6x	3.4x	12.3x	16.6x	3.2x	1.5%
Signet	23.0x	20.1x	1.8x	10.5x	18.6x	3.0x	0.7%
The Swatch Group	15.6x	15.4x	3.0x	10.1x	15.5x	2.5x	1.4%
Tiffany	25.8x	22.2x	2.9x	11.4x	18.3x	4.1x	1.3%
Peer Group Median Average	19.5x	18.3x	2.1x	10.4x	15.9x	2.9x	1.6%

TIFFANY: LVMH'S ACQUISITION OF BULGARI

- LVMH acquired Bulgari in 2011 for €4.3B, which was 25x TTM EBITDA (or forecast 22x NTM EBITDA)*

THE WALL STREET JOURNAL. ≡ MARKETS

HEARD ON THE STREET

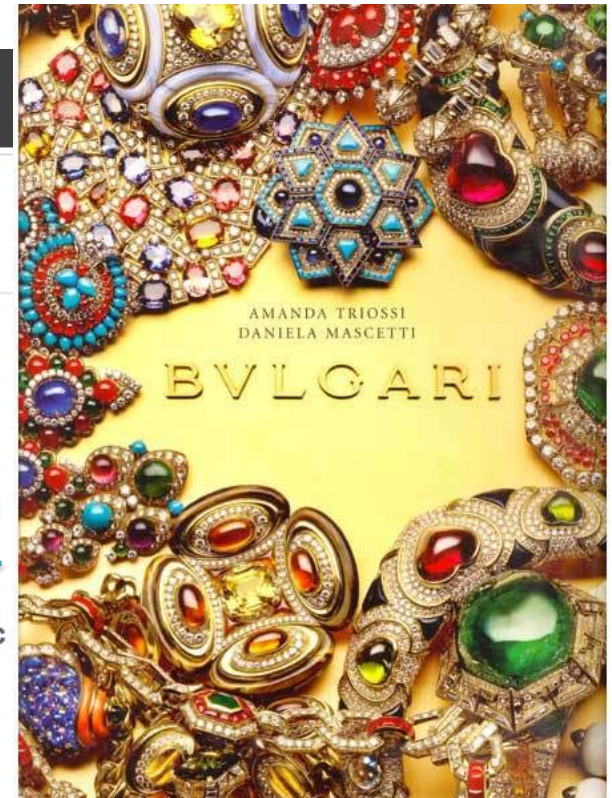
LVMH's Highly Priced Bulgari Jewel

By RENÉE SCHULTES

Updated March 8, 2011 12:01 a.m. ET

As befits a high-end jeweler, [Bulgari](#) has secured a top price.

LVMH Moët Hennessy Louis Vuitton offered €4.3 billion (\$6.01 billion) for the Italian jeweler, including debt, on Monday, valuing it at an eye-watering 22 times forecast 2011 earnings before interest, taxes, depreciation and amortization, or Ebitda, well above LVMH's 10 times valuation. While Bulgari might prove a jewel in the strategic sense, the financial returns appear significantly less mesmerizing.



* <http://www.bloomberg.com/news/2011-03-07/bulgari-family-agrees-to-sell-a-controlling-stake-to-lvmh-in-share-swap.html>

TIFFANY: EV/EBITDA VALUATION

- Our weighted Intrinsic Value estimate, based on forecast FY2014 Revenue and EBITDA, and applying reasonable EBITDA multiples and probabilities, suggest that the stock is currently trading at a 19% discount, with an upside potential of 24%
- Signet acquired Zale in February 2014 for US\$ 1.4B (TTM EBITDA Multiple of 15.0x)*

	2014E (Standalone)	2014E (Acquisition Target - Neutral)	2014E (Acquisition Target - Optimistic)
Revenue**	\$4,389M	\$4,389M	\$4,389M
EBITDA Estimate**	\$1,116M	\$1,116M	\$1,116M
EBITDA Margin	25.4%	25.4%	25.4%
EBITDA Multiple To Apply	13x	17x	20x
Estimated Intrinsic Value Per Share	\$107.58	\$142.17	\$168.11
Premium/Discount to Intrinsic Value Estimate	5% Discount	28% Discount	39% Discount
Upside/Down Potential	5% Upside	39% Upside	65% Upside
Probability	60%	20%	20%
Weighted Intrinsic Value Contribution	\$64.55	\$28.43	\$33.62
Weighted Intrinsic Value Estimate	\$126.60 = (\$64.55 + \$28.43 + \$33.62)		
Share Price (1/7/2014)	\$101.98 (Discount to Intrinsic Value Estimate = 19%, Upside Potential = 24%)		

* SOURCE: THOMSON REUTERS

** DATA SOURCE: THOMSON REUTERS AS AT 3/7/2014

TIFFANY: ELEVATION CAPITAL'S VALUATION

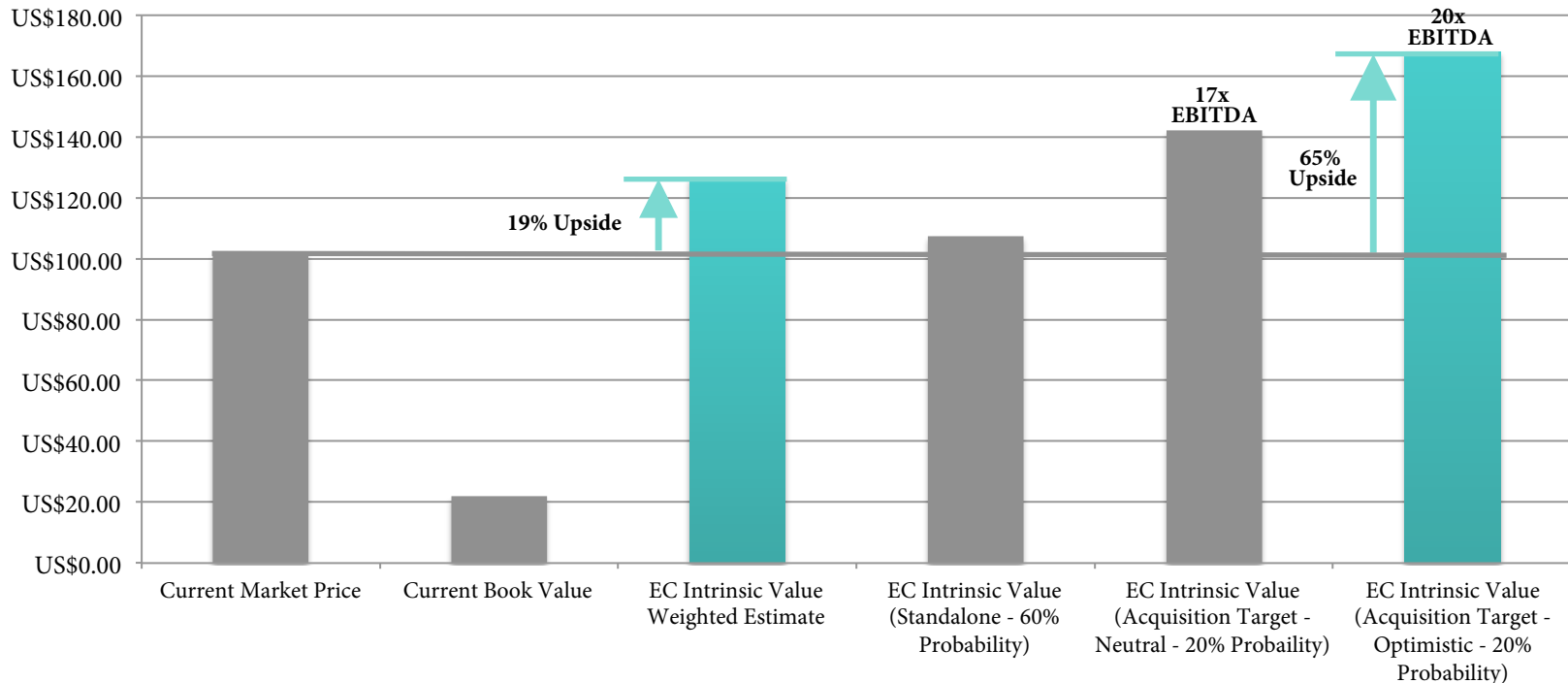
Elevation Capital Estimated Intrinsic Value Range:

US\$ 107.58 - US\$ 168.11 PER SHARE

Upside/Downside Potential Range:

5% - 65%

Valuation Summary



TIFFANY: KEY RISKS

CHANGES IN COSTS OF DIAMONDS AND PRECIOUS METALS

- A high precious metal and diamond costs could significantly impact the profitability of the company, as the company experienced in 2012

CONTINUING CHALLENGING GLOBAL ECONOMIC CONDITIONS

- The consumer discretionary business is very sensitive to changes in economic conditions and consumer confidence

FOREIGN CURRENCIES

- 52% of the revenue is generated outside the Americas. Therefore, the business is exposed to market risk from fluctuations in foreign currency exchange rates

COUNTERFEITS

- There are significant counterfeit operations and markets for Tiffany products, especially in Asia and now available on the internet



TIFFANY: ELEVATION CAPITAL'S VIEW

MOVING ON FROM SWATCH LAWSUIT

- The financial impact from the Swatch lawsuit has now been quantified at CHF 402M
- The company is proceeding with the development of its own watch business
- Re-launching of the watch business globally in 1H 2015 (watch sales used to be 10% of the business in the 1980's/1990's)

2013 IS GREAT, Q1 2014 IS TERRIFIC

- 2013 worldwide net sale +6% to US\$ 4.0B
- 2013 free cash flow of US\$ 300M
- 2014 Q1 worldwide net sale +13% to US\$ 1B due to solid growth across all regions and jewelry categories
- 2014 Q1 net earnings increased 50%

MARGIN OF SAFETY

- Prestige brand
- Unique market positioning that diversifies customer base without brand dilution
- Diversified geographical markets with some exposure to emerging markets
- Significant growth potential remaining
- Strong balance sheet
- Strong cash flow generating capability
- Share price still trading at a discount (~14%) to our Weighted Intrinsic Value Estimate



TIFFANY: CONCLUSION

CONCLUSION

- Tiffany – A Prestige Brand
 - The brand carries the meaning of quality, value, and prestige
 - The brand is very identifiable to the consumers
 - There is tremendous human connection to the brand
- Growth Opportunity
 - New growth opportunity in gold and silver jewelry business at entry price points of US\$ 400 – US\$ 500 (versus US\$ 200 today)
 - The watch business that will be re-launched globally in 1H 2015 (it used to be 10% of the business in the 1980's and 1990's)
 - Geographical expansion in Asia-Pacific (ex-Japan), Europe, Latin America and other Emerging Markets
- Value Creation
 - Sustainable long-term growth in business will create significant value for long-term minded shareholders
 - Any potential suiters will need to pay a significant premium to acquire this wonderful business franchise
 - The stock remains undervalued despite the share price doubling in the last 24 months
 - Upside potential range = 5% - 39% from current price of \$101.98 Based on Elevation Capital Intrinsic Value estimates

What They're Wearing This Year



1886



1944



1968



2014

TIFFANY & CO.

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'INDEPENDENT THINKING – DISCIPLINED INVESTING'

INDEPENDENT THINKING

[In-de-pend-ent Think-ing] **ində'pendənt THiNkiNG** *verb*

Is essential to long-term investment success. We are often contrarian and do not pay attention to index compositions when making investment decisions. We believe that when you're several thousand miles away from Wall Street in a different nation, it's easier to be independent and buy the things that other people are selling, and sell the things that other people are buying. We also believe that cash is sometimes the most attractive investment.

DISCIPLINED INVESTING

[Dis-ci-plined In-vest-ing] **disciplinəd inves'ting** *verb*

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