

# TIFFANY & CO.

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# About Tiffany & Co.

Tiffany & Co. is an internationally renowned jewelry and specialty retailer.

Its principle product categories are fine jewelry, timepieces, sterling silver goods, china, crystal, stationary and personal accessories. Jewelry generates 80% of net sales.

Operates with four channels of distribution: US retail, direct marketing, international retail, and specialty retail.

It has 46 retail stores within the US, and 85 international locations.

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# Industry Background

- Highly fragmented industry with differentiation mainly based on brand, quality, and price.
- Large barriers to entry and intense rivalry among mainstream retailers
- Significant bargaining power of large consumer base due to numerous options
- *Tiffany's Positioning:* targets a large upper-middle class segment, with differentiation based on quality, service, and brand perception.



# Investment Thesis

- Strategic Expansion
- Strengthening of Infrastructure
- Strong Brand Equity
- Consistent Product Innovation



# Strategic Expansion

- Consistent and Cautious Retail expansion
- Protecting brand from saturation through establishment of New Distribution Channel
- Investments in Little Switzerland and Temple St. Clair reflect new retail concept.
- Potential expansion within international retail segment



# Strengthening Infrastructure

- Current manufacturing facilities: RI, NY, NJ
- Expanding internal production capabilities:
  - Relationship with Aber Diamond Corp.
  - Construction of diamond processing and polishing facilities in Belgium and Canada
- Economies of Scale provide competitive advantage



# Strong Brand Equity

- Unique Trademarks: TIFFANY & CO., TIFFANY BLUE BOX, TIFFANY BLUE
- Powerful designer affiliations: Elsa Peretti, Paloma Picasso, Jean Schlumberger
- Superior Customer Service including new store initiative
- Significant Customer Loyalty
- Marketing supports image maintenance

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# Consistent Innovation

- Tiffany's is an international trend-setter
- Prevents consumer backlash by continuously developing and marketing new collections
- Maintains consumer loyalty by maintain Tiffany's quality and style while creating new, fresh designs





# Sustainability and Risk

- Is Tiffany's popularity Sustainable? Will there be a backlash? Too many open-heart necklaces?
- Risks:
  - Oversaturation of market
  - Erosion of brand image
  - reduced consumer loyalty
  - Volatility of international markets: Japan

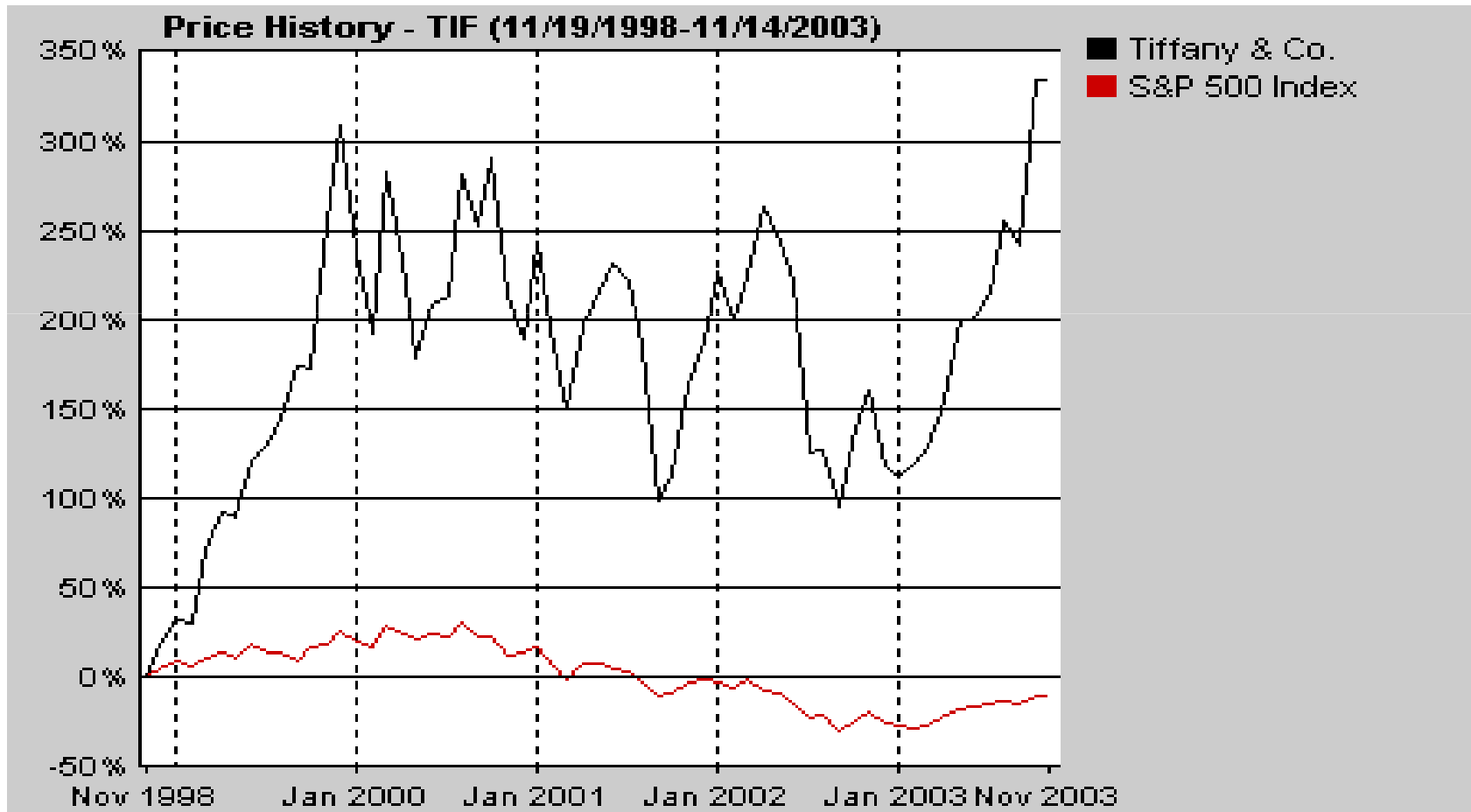


# Financial Status

- Ratio Analysis:
  - ROE: 16.7% (2002); TAT: .98, NPM: 10.8%, FL: 1.573
  - Decreasing Payables Period: from 96 days in 2001 to 74 days in 2002
  - Consistent Inventory Turnover: 1.08 (2002)
- Good liquidity: Current Ratio: 3.03
- Positive Free Cash Flows for 2000 (44 million) and 2002 (51 million), negative FCF in 2001 (-15 million)
- ROIC vs. WACC shows positive EVA: 2.31 spread for 2002



# Benchmarking:



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Questions?

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