

SOTHEBYS
Form DEFA14A
April 17, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant ☒ x

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Check the appropriate box:

- ☐ Preliminary proxy statement
- ☐ **Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- ☐ Definitive Proxy Statement
- ☒ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to § 240.14a-12

SOTHEBY S

(Name of Registrant as Specified in Its Charter)

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FOR IMMEDIATE RELEASE

Sotheby's Issues Presentation to Set the Record Straight

Presents the Facts in Response to Third Point's Recent Misleading Claims

NEW YORK, 17 April 2014 Sotheby's (NYSE: BID) today announced that it has issued a presentation in response to Third Point's recent misleading claims regarding the Company. The presentation is available on the Investor Relations section of Sotheby's website at <http://investor.shareholder.com/bid>.

Highlights of the presentation include:

Sotheby's has consistently delivered strong, long-term performance and is executing a clear strategy to drive continued growth and profitability;

Sotheby's maintains a strong leadership position within the art market and continues to invest in areas exhibiting substantial growth and potential for attractive returns;

Sotheby's Board and management remain keenly focused on expense management and have effectively managed the capital needs of a growing and cyclical business with prudent fiscal discipline;

We believe Mr. Loeb does not possess the long-term focus necessary to drive value for ALL Sotheby's shareholders; and

Sotheby's Board and management are steadfast in their commitment to strong corporate governance and shareholder stewardship.

Sotheby's shareholders are reminded that their vote is important, no matter how many or how few shares they own. Whether or not shareholders plan to attend the Annual Meeting, they have an opportunity to protect their investment by voting the **GREEN** proxy card **FOR** Sotheby's 12 director nominees: John M. Angelo, Jessica Bibliowicz, Kevin C. Conroy, Domenico De Sole, The Duke of Devonshire, Daniel Meyer, Allen Questrom, William F. Ruprecht, Marsha E. Simms, Robert S. Taubman, Diana L. Taylor, and Dennis M. Weibling.

*If shareholders have any questions, require assistance with voting the **GREEN** proxy card, or need additional copies of the proxy materials, please contact the Company's proxy solicitor listed below:*

MORROW & CO., LLC

470 West Avenue

Stamford, CT 06902

203-658-9400

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or

Call toll free at 1-800-279-6413

Forward-looking Statements

This letter contains certain forward-looking statements, as such term is defined in Section 21E of the Securities Exchange Act of 1934, as amended, relating to future events and the financial performance of Sotheby's. Such statements are only predictions and involve risks and uncertainties, resulting in the possibility that the actual events or performance will differ materially from such predictions as a result of certain risk factors. As such, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as to management's plans, assumptions and expectations as of the date hereof. Please refer to Sotheby's most recently filed Form 10-K (and/or 10-Q) and other filings for a discussion of material Risk Factors. Sotheby's disclaims any duty to update or alter any forward-looking statements, except as required by applicable law.

FOR MORE NEWS FROM SOTHEBY'S

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Sotheby's has been uniting collectors with world-class works of art since 1744. Sotheby's became the first international auction house when it expanded from London to New York (1955), the first to conduct sales in Hong Kong (1973), India (1992) and France (2001), and the first international fine art auction house in China (2012). Today, Sotheby's presents auctions in eight different salesrooms, including New York, London, Hong Kong and Paris, and Sotheby's BidNow program allows visitors to view all auctions live online and place bids in real-time from anywhere in the world. Sotheby's offers collectors the resources of Sotheby's Financial Services, the world's only full-service art financing company, as well as private sale opportunities in more than 70 categories, including SI2, the gallery arm of Sotheby's Contemporary Art department, as well as Sotheby's Diamonds and Sotheby's Wine. Sotheby's has a global network of 90 offices in 40 countries and is the oldest company listed on the New York Stock Exchange (NYSE).

Contacts:

Press Department | 212 606 7176 | Andrew Gully | Andrew.Gully@Sothebys.com

Investor Relations | 212 894 1023 | Jennifer Park | Jennifer.Park@Sothebys.com

Joele Frank | 212 355 4449 | Steve Frankel / Barrett Golden / Jed Repko

Morrow & Co. LLC | 203 658 9400 | Joe Mills / Tom Ball

Investor Update

April 17, 2014

Forward-looking Statements: This presentation contains certain forward-looking statements (as such term is defined in the Securities and Exchange Act of 1934, as amended) relating to future events and the financial performance of the Company. See Statement on Forward-Looking Statements in the Appendix to this presentation.

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SETTING THE RECORD STRAIGHT

Sotheby's has consistently delivered strong, long-term performance and is executing a clear strategy to drive continued growth and profitability

Sotheby's maintains a strong leadership position within the art market and

continues to invest in areas exhibiting substantial growth and potential for attractive returns

Your Board and management remain keenly focused on expense management and have effectively managed the capital needs of a growing and cyclical business with prudent fiscal discipline

Sotheby's Board and management are steadfast in their commitment to strong corporate governance and shareholder stewardship

Sotheby's Board and Management Are Committed to

Creating

Long-Term

Value

for

ALL

Shareholders

Given Recent Misleading Claims Regarding Sotheby's,

It Is Appropriate to Present the Facts

3
SOTHEBY'S HAS DELIVERED STRONG,
CONSISTENT LONG-TERM PERFORMANCE
Sotheby's Continues to Drive Sustainable Success and Value
Creation by Expanding its Presence in Key Categories and Channels
2004
Today / 2013

Auction
Sales
\$2,647
\$5,127
Asian Art
Sales
Contemporary
Sales
Largest Online
Bid
Private
Sales
\$355
\$1,368
-
\$18
\$263
\$1,179
\$169
\$857
Third
Point
Claim:
 Flattish
sales
over
time
US\$ in millions

2013 | A RECORD YEAR FOR SOTHEBY'S

Sotheby's Has Delivered Strong Financial Performance, Including Record Sales in 2013 and Numerous Record Auction Results Across Categories

In 2013, Sotheby's distinguished itself as the fastest growing global auctioneer

The Company reported consolidated sales of **\$6.3 billion** and an 11% increase in total revenues

Net income and earnings per share both **increased by 20%** over 2012

Sotheby's strong performance accelerated during the second half of 2013, with earnings increasing by 81% over the second half of 2012

Third Point's comparison of Sotheby's 2013 results to 2007 fails to acknowledge significant changes including:

- o Increased globalization of our business, opening up a new frontier of opportunities
 - o Investment in strategic opportunities to generate long-term growth in key categories and channels
 - o Shifts in our customer base and the costs required to serve them
 - o Increased investment in customer service / post-sale, resulting in long-term client loyalty
 - o Increased price competition
 - Strong performance continuing into 2014
 - o Year-to-date auction sales up 42% over 2013
 - o Spring Hong Kong sales series up 56% over 2013
- Sotheby's Revenue | \$ in millions
Sotheby's EPS | \$ per Share
Third Point Claim: 2013 Was Not a Strong Year

SOTHEBY'S HAS A SOUND STRATEGY FOR GROWTH AND A PROVEN
TRACK RECORD OF CREATING AND MAINTAINING LONG-TERM VALUE

Sotheby's Strategy Is to Pursue Opportunities that Strengthen the Core
Agency Business, Increase Exposure to Fast Growing New Markets and
Expand the Breadth and Profitability of the Sotheby's Brand
Capture Global
Wealth

Opportunities

Expand into key markets across the world, such as Asia, the Middle East, Russia and Latin America

Leverage existing expertise and knowledge to enhance Sotheby's Private Sales initiatives

Fall series in Hong Kong generated **\$538 million, the highest** ever for any global auction house in Asia

In 2013, Private Sales increased by 30% to record \$1.2 billion

Continuously enhance online bidding platform

Explore collaborations and innovations to expand digital business

Engage across social media platforms

In 2013, achieved **45% increase** in online bidding

Regularly registers online bids exceeding \$1 million, including **record \$3.5 million online sale** of Audobon's

The Birds of America in early 2014

Attach brand to opportunities with a reputation of expertise, credibility, trust and prestige

Leverage key personnel for exceptional brand management

Applied brand to luxury endeavors including **high-end** retail wine sales and diamond retail sales

In 2014, hired brand expert Alfredo Gangotena as Chief Marketing Officer

Establish dedicated credit facility to enable debt-funding of loans

Target expansion of loan portfolio to increase loan returns and drive core auction sales

Loan
portfolio
growth
of
200%
from
2009
to
2013

On April 15, announced significant growth in our lending business, with a **19% increase in assets to** \$564 million from balance at year end 2013

Digital
Strategy
Brand

Expansion

Loan Portfolio

Sotheby's Strategy

Performance and Results

Third Point Claim: Failed to Seize Growth Opportunities

5

6

S&P 400

MidCap

Index

SOTHEBY'S SHARE PRICE PERFORMANCE IN CONTEXT

We Have Delivered Superior Shareholder Returns In a Business Heavily
Influenced by the Economic and Auction Market Cycles

Source: Bloomberg, company filings; market data as of April 15, 2014

US\$ in billions

Third Point Claim: Leadership Has Failed to Create Enduring Value For Shareholders

Five

Year

TSR

1

Ten

Year

TSR

1

Market Capitalization Growth

Cyclical Aggregate Auction Sales

S&P 400

MidCap

Index

Sotheby's

Christie's

\$ 0.8

\$ 2.7

15-Apr-04

15-Apr-14

171 %

363 %

157 %

268 %

\$3.4

\$3.6

\$3.4

\$4.9

\$5.9

\$8.1

\$11.0

\$9.5

\$5.2

\$8.7

\$9.8

\$9.7

\$10.9

2001

2003

2005

2007

2009

2011

2013

1

7

SOTHEBY'S REMAINS COMMITTED TO PURSUING MARKET
SHARE IN A FOCUSED AND RATIONAL MANNER

Sotheby's Has Strong Market Share and Profitability;

Not All Market Share Is Good Market Share

When

Christie's

sold
Jeff
Koons's
Balloon
Dog
(Orange)
for
\$58.4 million in November, it seemed as if the auction house had
just earned a pretty penny. After all, Christie's, like other auction
houses, typically charge commissions to buyers and sellers, which
for high-priced works might be an eighth to a quarter of the gavel
price.
But the owner of the work, the newsprint magnate Peter M. Brant,
said
Christie's
certainly
made
no
money
from
him.
To
secure his business, the house waived the seller's commission, he
said, and then, as a sweetener, gave him a large share of the
buyer's fees.
Typically, a seller might pay about 10 percent commission on a
\$100,000
artwork.
A
buyer
would
pay
about
25
percent.
But
for
some works of art
commonly those worth \$1
million or above
sellers don't usually pay
anything.

-
New York Times, 15-January-2014

Management has taken a deliberate and rational
approach to pursuing market share; not all share is
good share, particularly if the price to Sotheby's is a
lower than acceptable margin

Sotheby's share of the art auction market has remained relatively stable over the long term, holding ~50% share against its traditional competitor

Sotheby's will continue to take action to prudently increase market share in relevant categories

Impressionist

55%

Old Masters

54%

Private Sales

50%

Contemporary

42%

Asia

50%

Consolidated Sales

47%

Sotheby's 2013 Share

Third Point Claim: Failure to Gain Market Share

Outside Perspective on Commission Margins

Note: Emphasis added

8
KEEN FOCUS ON EXPENSE DISCIPLINE AND MANAGEMENT
Sotheby's Has Significantly Reduced Costs and Is Committed to Growing with Discipline
Fractional Commissions
Third
Point
Claim:

Unchecked

Use

of

Fractional

Commissions;

Cost

Saving

Plans

Lack Credibility; CEO Compensation is Too High

Long-Term Auction Commission Margins

Expense Management

Weak auction market led to irregularly high

commission margins due to unusually high

proportion of low value lots

1

See proxy statement for more detail..

* See Appendix on non-GAAP Financial Measures for more detail.

CEO compensation is well below ISS and

Glass Lewis Sotheby's peer group medians

Pay is highly correlated with performance: 87%

of CEO target pay is performance-based

Compensation Committee highly responsive to

shareholder views on compensation structure

CEO Compensation

Sotheby's expenses have grown an average of

0.5%*

per year since 2007

During that period, Sotheby's invested

significantly in strategic opportunities (e.g. Asia,

digital, private sales) and globalized its

infrastructure

Competitive auction consignment market requires

flexible commission margins

Despite this, Sotheby's has maintained average

commission margins of ~16% over the long term

1

COMMITTED TO STRONG CORPORATE GOVERNANCE
AND SHAREHOLDER STEWARDSHIP

Our Actions Are Part Of a Long Term Approach Begun Well Before Any Activism
and Consistent With Our Long History of Shareholder Engagement

Third Point Claim: Activist Presence in Stock Was the Catalyst for Recent Change
Strong Corporate
Governance

2011
Ongoing
Capital Structure
and Capital
Allocation
Expansion Into Key
Markets and
Channels

Since 2011
Five new independent directors have been added to the Board

July
2013

Announced
plans
to
add
Domenico
de
Sole
in
December
2013,
at
which
point
he was named Lead Independent Director

March
2014

Sotheby's
nominated
two
additional
independent
directors
to
the
Board,
adding relevant and incremental expertise

2008
Raised capital to support growth in guarantees and other business requirements

2009

Began

emphasis
on
expanding
loan
portfolio;
which
grew
by
200%
by
2013

2009

2010

Proactively
de-risked
balance
sheet
in
light
of
broad
macroeconomic
and
art
market pressures and initiated discussions on capital allocation

Early
2013

Initiated
real
estate
review
of
New
York
Headquarters

September
2013

Announced
Capital
Allocation
and
Financial
Policy

Review

March
2014

Distributed
excess
available
cash
to
shareholders
via
a
special
dividend
of
\$300 million and announced \$150 million share repurchase program

2009
Inaugural auction in Doha, the first international auction ever in Qatar

September 2011
Opened S | 2 private sales gallery in New York

September
2012

Established
Sotheby's
as
the
first
international
fine
art
auction
house
in
China. Held largest mainland auction in 2013 with sales of \$37 million
9

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SOTHEBY'S HAS THE RIGHT BOARD TO CONTINUE TO
DELIVER LONG-TERM VALUE TO SHAREHOLDERS

Your Board Represents Twelve Distinct Voices on Your Behalf;
Third Point's Slate Represents Three Voices Acting in Concert
Directors added since 2011

Sotheby's has nominated five new directors since 2011

Two of the three Board members targeted by Third Point have recently been added and bring expertise that Mr. Loeb suggests is relevant to Sotheby's

Named a new lead independent director

10 of 12 directors are independent

Average tenure of ~7.1 years versus ~8.6 years for the S&P 500

Average director compensation of ~\$138k per annum well below average of ~\$249k for the S&P 500

In 2013, nearly 50% of director compensation, on average, was paid in the form of stock awards

1

Source:

Spencer

Stuart

Board

Index

2013

Third Point Claim: Board Lacks Fresh Perspectives

Name

Year

Independent

John M. Angelo

2007

Jessica M. Bibliowicz

2014

Kevin C. Conroy

2014

Domenico De Sole

2013

The Duke of Devonshire

1994

Daniel Meyer

2011

Allen Questrom

2005

William F. Ruprecht

2000

Marsha E. Simms

2011

Robert S. Taubman

2000

Diana L. Taylor

2007

Dennis M. Weibling

2006

1

1

11
ONE-YEAR SHAREHOLDER RIGHTS PLAN
DESIGNED TO PROTECT ALL INVESTORS

The
one-year
shareholder

rights
plan
expires
in
October
2014

--

cannot
be
extended without shareholder approval

The Sotheby's shareholder rights plan is extremely shareholder friendly

Sotheby's has never in its history had a shareholder rights plan

Third Point's last-minute litigation seeks relief to buy votes after the record date

Rights plan is an important tool to ensure ALL Sotheby's shareholders are treated fairly and have votes that count

Rights Plan Was Implemented to Ensure the Fair Treatment of All Shareholders

Third Point Claim: Shareholder Rights Plan Intended to Entrench the Board

WE BELIEVE MR. LOEB DOES NOT POSSESS THE LONG-TERM FOCUS
NECESSARY
TO
DRIVE
VALUE
FOR
ALL

SHAREHOLDERS

Mr. Loeb's Agenda Is Not in the Best Interests of All Shareholders

A Letter to Dan Loeb Regarding

Sotheby's

It is a truth universally acknowledged

that

anyone

in

the

art

world

in

possession of a good fortune and

some business smarts thinks they

can

run

an

auction

house.

Or

more

accurately, thinks they can do it better

than whomever is doing so at the

time. They believe they can negotiate

better contracts, cut more costs,

appraise more accurately, marshal

more nation's treasures to the block.

Reality is a little more

complicated.

-

Alexandra Peers, artnet®

news, 10-Apr-2014

Lack of a Substantive Plan and Relevant Leadership Skills

Disruptive Actions

Loeb's pattern of disruptive behavior has triggered concerns from clients,

staff

and

business

counterparties

that

are

damaging

to

your

Company

We've

been

informed

that
Mr.
Loeb
has
asserted
to
Sotheby's
employees
and
business
counterparties
that
he
controls
certain
key
company
matters

Erratic
and
aggressive
behavior
suggest
he
would
be
a
disruptive
force
on
your
Company's
Board
Precedent Board Experience
Note: Emphasis added
12
Average
public
board
tenure
of
less
than
two
years
Deal
to
sell
back

shares
to
Yahoo!
at
a
price
unlikely
to
be
obtained
on
the
open market
and
in
a
transaction
not
available
to
all
shareholders
Taking
credit
for
Yahoo! s
share
price
performance,
ignoring
exogenous
factors outside
of
his
control
(e.g.
Alibaba)
Mr.
Loeb s
aggressive
actions
have
been
disruptive
to
Sotheby s
business
Allegations
unfounded
and

Third
Point
offers
no
plan
to
create
value
Arbitrary
pro
forma
EPS
calculation
is
NOT
a
plan
for
value
creation
Third
Point's
slate
does
not
add
incremental
and
relevant
expertise
to
your
Board

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SOTHEBY'S HAS THE RIGHT BOARD, LEADERSHIP TEAM AND STRATEGY IN PLACE TO DELIVER VALUE FOR ALL SOTHEBY'S SHAREHOLDERS NOW AND OVER THE LONG TERM

Sotheby's Is a Market Leader with Outstanding Results

Sotheby's benefits from a solid financial foundation

Your Board is independent and has the strength, diversity, experience and qualifications to continue to provide excellent oversight and continue delivering value for shareholders

Your Board is committed to sound corporate governance practices

Sotheby's has engaged frequently with Third Point and other shareholders, and your Board is committed to aggressively pursuing the best interests of ALL

Sotheby's shareholders. We believe shareholders should question whether Mr. Loeb will do the same

Sotheby's Board has concluded that Mr. Loeb's nominees add no relevant skills, experience or expertise that is not already effectively represented on the Board

Through his interactions with Sotheby's Board, we believe Mr. Loeb has shown that he would be a disruptive director

Your Vote Is Important -

We Encourage You to Vote Your Shares in

Support of Your Board on the GREEN Proxy Card

APPENDIX

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**FORWARD LOOKING STATEMENTS AND OTHER
INFORMATION**

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not to place undue reliance on forward-looking statements, which speak only as to management's plans, assumptions and expectations as of the date hereof. Please refer to Sotheby's most recently filed Form 10-K (and/or 10-Q) and other filings for a discussion of material Risk Factors. Sotheby's disclaims any duty to update or alter any forward-looking statements, except as required by applicable law.

This presentation contains quotes and excerpts from certain previously published material. Consent of the author and publication has not been obtained to use the material as proxy soliciting material.

Sotheby's, its directors, director nominees and certain of its executive officers are participants in the solicitation of proxies from Sotheby's stockholders in connection with Sotheby's 2014 Annual Meeting of Stockholders. Sotheby's has filed its definitive proxy statement and form of GREEN proxy card with the U.S. Securities and Exchange Commission (the "SEC") with respect to the 2014 Annual Meeting of the Stockholders. **SOTHEBY'S STOCKHOLDERS ARE STRONGLY ENCOURAGED TO READ THE DEFINITIVE PROXY STATEMENT (INCLUDING ANY AMENDMENTS AND SUPPLEMENTS) AND ACCOMPANYING GREEN PROXY CARD AS THEY CONTAIN IMPORTANT INFORMATION**

Information regarding the names of Sotheby's directors, director nominees and executive officers and their respective interests in Sotheby's by security holdings or otherwise, is set forth in Sotheby's definitive proxy statement for the 2014 Annual Meeting of Stockholders and other materials to be filed with the SEC. Additional information can also be found in Sotheby's Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on February 27, 2014. These documents, including any proxy statement (and amendments or supplements thereto) and other documents filed by Sotheby's with the SEC, are available for no charge at the SEC's website at <http://www.sec.gov> and at Sotheby's investor relations website at <http://investor.shareholder.com/bid/index.cfm>. Copies may also be obtained by contacting Sotheby's Investor Relations by mail at 1334 York Avenue, New York, NY 10021 or by telephone at 800-700-6321 or 212-894-1023.

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USE OF NON-GAAP FINANCIAL MEASURES

GAAP refers to generally accepted accounting principles in the United States of America. Included in this presentation are financial measures presented in accordance with GAAP and also on a non-GAAP basis. In this presentation,

Sotheby's

discusses

adjusted

total
expenses
for
2013
and
2007,
which
are
supplemental
financial
measures
that
are
not

required by or presented in accordance with GAAP.

Sotheby's defines adjusted total expenses as total expenses, excluding the cost of principal revenues, an impairment loss, and a gain on the sale of land and building. Management cautions users of Sotheby's financial statements that amounts presented in accordance with its definitions of these non-GAAP financial measures may not be comparable to similar measures disclosed by other companies because not all companies and analysts calculate such measures in the same manner. Management believes that these non-GAAP financial measures provide important supplemental measures of Sotheby's performance and that these measures may be used by securities analysts, investors, financial institutions, and other interested parties in the evaluation of Sotheby's. Reconciliation of adjusted total expenses to total expenses derived in accordance with GAAP are presented under Reconciliation of Non-GAAP Financial Measures.

The following is a reconciliation of total expenses to adjusted total expenses for 2013 and 2007:

2013

2007

Total Expenses

\$631,103

\$641,940

Less:

Cost of principal revenues

(\$30,307)

(\$49,161)

Impairment loss

-

(14,979)

Gain on sale of land and building

-

4,752

Total adjusted expenses

\$600,796

\$582,552

Increase in total adjusted expenses

\$18,244

CAGR

0.5 %

*Reconciliation of Non-GAAP Financial Measures