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AUCTION HOUSES : The Explosive Report That Unveils the Real Profit Margins.

By Alexandre Crochet

Far from the sometimes-astronomical sales figures that are touted, a published analysis by Plimsoll reveals surprises and unexpected disparities between auction houses in France, and an often-fragile profitability.

At the end of each year, the French auction houses publish their results. Thanks to a few expected or surprise million Euro bids and auctions, or a major collection, the results can be flattering. But this is only the tip of the iceberg : it only details the volume of sales. A confidential, paid study of 374 pages published this year by the economic analysis company Plimsoll looked at the real figures of these companies, namely their financial situation and their profitability. To do this, Plimsoll analyzed their balance sheets for the year 2018 which are filed with the Clerk's office of the Commercial Court in France. The result of this study is surprising to say the least.

THE STUDY APPROACHES THE MOST SIGNIFICANT POINT WITHOUT DOUBT: PROFITABILITY

The study lists the top 50 companies in terms of market share according to their turnover (which mainly corresponds to the buyer and seller commissions). In 2018, Christie's generated a turnover of 98 million euros by combining Christie's France SAS (the legal structure including employees) and SNC (the auction house); Sotheby's generated 63.2 million; Artcurial SAS and Artcurial : 40.9 million; Millon : 9.3 million; Pierre Berge & Associates : 9.1 million; 8 million for Piasa; Cornette de Saint Cyr : 5.2 million; Rouillac : 4.1 million; Tessier Sarrou : 3.6 million; Gros & Delettrez : 3.5 million; Binoche & Giquello : 3.5 million, almost on par with De Baecque ... In the top 5 of the best companies in the market (sales growth and financial strength), Baron Ribeyre & Associates, Christie's France and Rouillac lead the list.

The study then addresses what is probably the most significant point : profitability meaning pre-tax profit. It does not mention the auction results, but it is easy to include them to make the comparison meaningful. Thus, for a sale volume of 251.4 million euros, Sotheby's generated 8.7 million in pre-tax profit. Christie's, which took in 234.3 million, made 5.1 million; Rouillac 2 million for sales of 13.1 million; or as much as Artcurial, which took only 2 million for a total of 195.3 million euros. Pierre Berge & Associates had 1.9 million euros in pre-tax profit for sales of 44 million euros in comparison to 2017 the year in which they lost 1.1 million euros. Millon managed to make only 364,000 euros despite sales of 45.3 million euros. Likewise, for Piasa with 272,000 euros for 32 million euros of sales; and like Binoche & Giquello 270,000 euros for 21.8 million euros; FauveParis did quite well with 159,000 euros for 4 million euros, which is a 14% rate of profitability, as much as Artcurial this year! Cornette de Saint Cyr with 734,000 euros for 31.2 million sales has managed to redress themselves in relation 2017. However, other houses, which will remain un-named only manage to generate 20,000 euros seem close to the red line ...

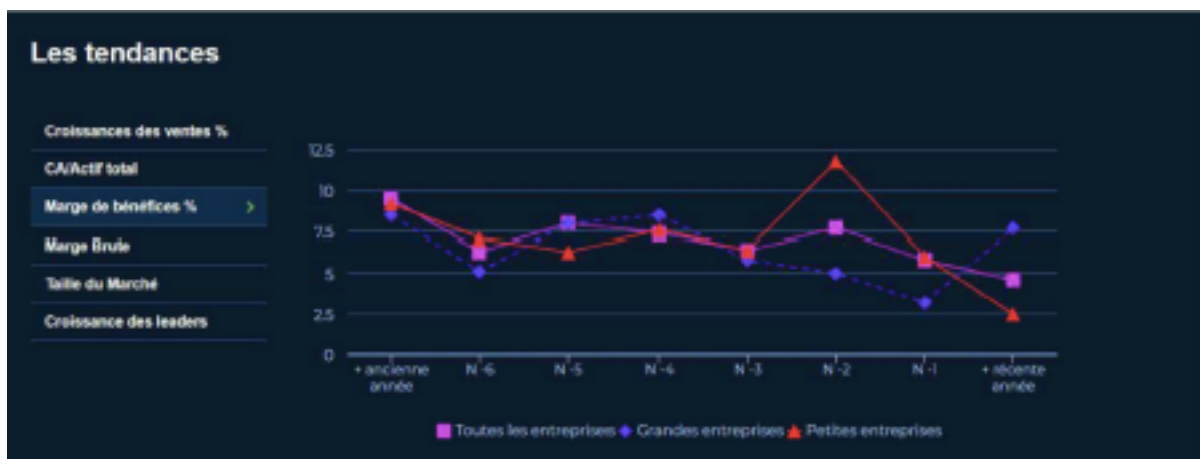
**ACCORDING TO THE STUDY, THE PROFITABILITY DROPPED ON AVERAGE FROM 9%
TO 4.5% IN EIGHT YEARS**

These figures, which many auction houses would prefer to keep secret, reveal that large international structures (synonymous with overwhelming teams, significant costs, sales commissions sometimes reduced to zero ...) certainly generate pretty profits, but at a fairly low rate of profitability (3.4% for Sotheby's in France in 2018 for example). It also reveals that many family size companies or those employing at most a few dozen employees remain fragile.

Others some quite unexpectedly – perhaps due to good cost management or possibly digital rationalization - stand out, such as Rouillac in the French provinces or FauveParis in the capital. All auction companies have not communicated their figures and some therefore are missing, such as Tajan or Aguttes, which in 2017 stopped publishing its turnover.

"We are seeing an erosion of the average profit margin of auction houses in the market with the exception of large companies which are still doing well," explains Florent Lavenir, analyst at Plimsoll. According to the study, profitability has dropped on average in eight years from 9% to 4.5% ... Figures that shed light on the recent bankruptcy of an auction house like Leclere, or the insolvency protective measures put in place for Pierre Berge & Associated Belgium, and this does not bode well for the future, after the slowdown already observed in 2019 ... Unless they implement a radical, primarily technological turn-around, "the coronavirus pandemic, by putting a stop to most of auction activity for several months, will probably terminally silence several hammers "warns a market player.

www.plimsoll.fr/rapports-de-marche/ventes-aux-encheres



The profit margin has generally declined over eight years for auction houses in France. Courtesy Plimsoll

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