

# Using E-commerce to Fuel the Growth of the Circular Economy

Baird 2021 Sustainability Conference  
February 23, 2021



# Forward-Looking Information

This document contains forward-looking statements. These statements are only predictions. The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks and other factors include but are not limited to the factors set forth in our Annual Report on Form 10-K for the year ended September 30, 2020, our quarterly report on Form 10-Q for the quarter ended December 31<sup>st</sup>, 2020 and subsequent filings with the Securities and Exchange Commission. You can identify forward-looking statements by terminology such as "may," "will," "should," "could," "would," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continues" or the negative of these terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. There may be other factors of which we are currently unaware or deem immaterial that may cause our actual results to differ materially from the forward-looking statements.

All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this document and are expressly qualified in their entirety by the cautionary statements included in this document. Except as may be required by law, we undertake no obligation to publicly update or revise any forward-looking statement to reflect events or circumstances occurring after the date of this document or to reflect the occurrence of unanticipated events.

To supplement our consolidated financial statements presented in accordance with generally accepted accounting principles (GAAP), we use certain non-GAAP measures of certain components of financial performance. These non-GAAP measures include earnings before interest, taxes, depreciation and amortization (EBITDA), Adjusted EBITDA and revenue excluding DoD contracts. These non-GAAP measures are provided to enhance investors' overall understanding of our current financial performance and prospects for the future. We use these non-GAAP measures: (a) as measurements of operating performance because they assist us in comparing our operating performance on a consistent basis as they do not reflect the impact of items not directly resulting from our core operations; (b) for planning purposes, including the preparation of our internal annual operating budget; (c) to allocate resources to enhance the financial performance of our business; (d) to evaluate the effectiveness of our operational strategies; and (e) to evaluate our capacity to fund capital expenditures and expand our business. We believe these non-GAAP measures provide useful information to both management and investors by excluding certain expenses that may not be indicative of our core operating measures. These measures should be considered in addition to financial information prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. A reconciliation of all non-GAAP measures included in this presentation to the most directly comparable GAAP measures is included in this presentation.

The following discussion should be read in conjunction with our consolidated financial statements and related notes and the information contained in our Annual Report on Form 10-K for the annual fiscal period ended September 30, 2020 and on Form 10-Q for the quarterly period ended December 31<sup>st</sup>, 2020.

# Who We Are

Liquidity Services operates the world's largest B2B e-commerce marketplace platform for surplus assets **powering the growth of the Circular Economy.**



## To Power the Circular Economy, we:

**Manage, value, and sell** surplus across the globe in a broad range of asset categories and conditions

**Maximize return** with broadest buyer base, in an efficient global marketplace

**Optimize and execute** surplus management strategies to achieve client business goals



# The Industry Leader in the Reverse Supply Chain

Trusted by over  
**15,000**  
clients worldwide

Experienced in over  
**600**  
asset categories and all  
asset conditions

over  
**\$8.5 billion**  
in completed  
transactions

Proven  
multichannel marketing  
& sales strategies for  
**B2B** and **B2C**

  
**+3.8 million**  
registered buyers

Clients include  
**+130**  
Global Fortune  
1000 Companies

  
Over  
**500k**  
transactions  
completed annually

  
Publicly traded  
company (NASDAQ: LQDT)  
since 2006 IPO

# What is the Reverse Supply Chain?

**Definition: “The process of planning, implementing, and controlling the efficient, cost effective flow of raw materials, in-process inventory, finished goods and related information from the point of consumption to the point of origin for the purpose of recapturing value or proper disposal.”\***

**Liquidity Services is a first mover and global leader in transforming the Reverse Supply Chain market, which provides long term investors the opportunity to drive financial returns while making a positive impact on the environment.**

\*Reverse Logistics Industry Council

**OUR PURPOSE:** To intelligently capture the enduring value of surplus, benefiting our sellers, our buyers, and our planet.

## SELLERS



**For enterprises with used, idle, or excess assets and inventory:**

- Expertise and intelligence that achieve high-performance results aligned to strategic goals
- Comprehensive and scalable solutions
- Superior people, processes, and systems to maximize return

## BUYERS



**For organizations and consumers looking to achieve business or personal goals:**

- Convenient access to wide range of assets
- Accurate, comprehensive product information and fair market prices
- Helpful, responsive customer support when it is needed

## PLANET



**For the planet's natural resources, environment, and beauty:**

- Extend life of assets and inventory and increase reuse and recycling
- Prevent unnecessary waste and defer assets from landfills
- Dispose of surplus in environmentally safe manner

# Delivering Maximum Value to Sellers

## SERVING THE BROADEST BASE OF INDUSTRIES



Aerospace  
& Defense



Consumer Brands  
& OEMs



Fast-Moving  
Consumer Goods



Mining & Large  
Construction



Automotive  
Manufacturing



Electronics  
Manufacturing



Government



Retail



Biopharmaceuticals



Energy



Industrial  
Manufacturing



Transportation

## OUR VALUE PROPOSITION TO SELLERS



### Better Service

Superior levels of industry and asset expertise, responsiveness, intelligence, and analytics that achieve high-performance results aligned to your strategic goals



### Better Scale

Complete solutions tailored to your industry's specific requirements that are comprehensive, modular, and scalable, spanning all volumes, asset categories, conditions, sales channels, and locations worldwide



### Better Results

Right combination of great people, best-in-class processes, and cutting-edge systems to deliver maximum return today and into the future

# Providing Superior Buyer Experiences

## BUYERS WE SERVE



Online/Offline Retailers



Resellers



Distributors



Refurbishers



Wholesalers



Small Businesses



Flea Markets



Recyclers

## OUR VALUE PROPOSITION TO BUYERS



### Superior Product Quality and Information

Large volumes and recurring flows of products; refurbishment services to enhance and ensure product quality; ability to view detailed product information, ask questions, and inspect items



### Fair Prices

Auction format ensures assets are sold for fair market value; assets available all over the world, making it easy to keep shipping costs low or pick up items



### Excellent Customer Service

Support every aspect of the buyer experience; 94% repeat bidder rate; rated A+ provider by the Better Business Bureau



# Market Opportunity\*

**\$50 Billion\***  
Retailers & OEMs  
(Source: Appriss Retail 2018)

**\$3 Billion**  
U.S Public Sector  
(Source: Company Data)

**\$8 Billion**  
Energy  
(Source: Company Data)

**\$20 Billion**  
Industrial Capital Assets  
(Source: Manfredi & Associates 2015, ACT Research 2016)

**\$48 Billion**  
Transportation  
(Source: Company Data)

**\$130 Billion Total Addressable Market**

Highlighted Sellers Across Industries



\*Data from evaluation of research from Appriss Retail (2018), Manfredi & Associates (2015), ACT Research (2016), and companydata.

# Macro-Trends Expanding Our Opportunity

## e-Commerce Growth

- Increased demand for digital, no-contact solutions driving more opportunities with sellers and buyers
  - Strong online growth in retail driving increased volume of consumer returns
  - Trending appetite for self-directed solutions
- Increasing buyer need for discounted, refurbished & secondary market assets

## Technology Innovation

- Product obsolescence and shorter product lifecycles
- Greater focus on compliance & transparency
- Higher adoption of digital marketplaces and no-contact sales channels among B2B buyers
- Increasing need for faster disposition cycle

## Sustainability

- Environmental Sustainability key goal for commercial & government sellers
- Focus on Zero Waste
- Environmental compliance requires sophisticated tools and reporting
- Extending the useful life of assets of increasing importance

# Our Business Model

## Compelling Model

- Online, no-contact and self-service solutions
  - Diversified products, services, and customer mix globally
  - High-volume recurring revenue
  - Value-added managed services
  - Additional services beyond selling assets to create higher-margin revenue streams
  - Network effect drives recovery maximization for sellers and increasing flow of asset supply for buyers
  - High operating leverage on future growth
- 

## Multiple, Synergistic Revenue Streams

- Consignment Model
- Purchase Model
- Service Revenue
- Buyer Premium Fees

# Liquidity Services Marketplace Success



Consolidated GMV growth of 28% in Q1-FY21, strong momentum thus far in Q2

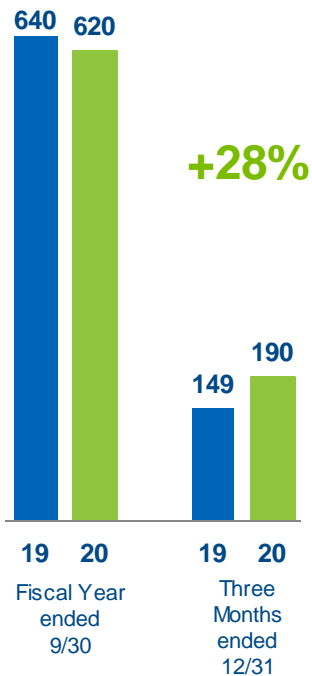
Segment	Q1-FY21 Marketplace Success*
GovDeals	+36% GMV +10% Buyer registrants +12% Auction participants
Retail Supply Chain	+30% GMV +6% Buyer registrants +6% Auction participants
Capital Assets	+5% GMV +1% Buyer registrants +50% Auction participants

*\*Q1-FY21 growth over prior year comparable quarter.*

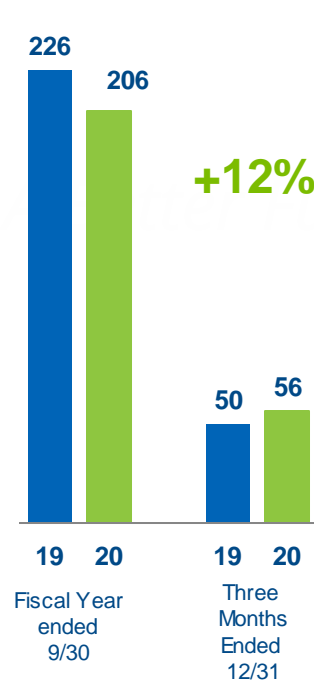
# Q1FY21 Consolidated Results

\$ millions

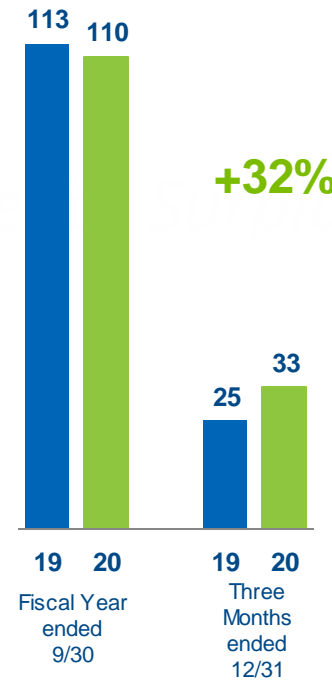
## Gross Merchandise Volume



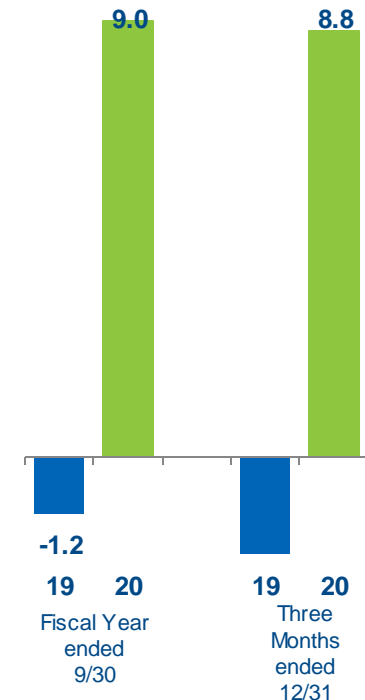
## Revenue



## Gross Profit<sup>(1)</sup>



## Adjusted EBITDA



(1) Gross Profit is calculated as total revenue less cost of goods sold and seller distributions.

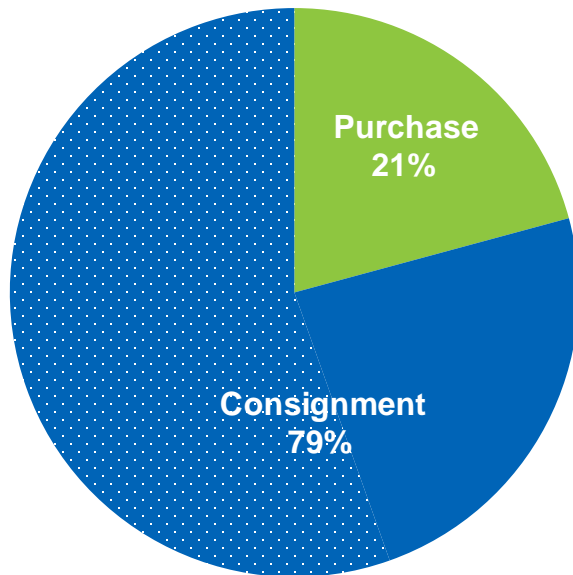
(2) For the twelve months ended September 30, 2019 and 2020, Net Loss was (\$11.6)M, (\$19.3)M and (\$3.8)M respectively. For the three months ended December 31, 2019 and 2020, Net Income (Loss) was (\$5.2)M and \$4.5M, respectively

(3) Consolidated results include the DoD Surplus and Scrap contracts

(4) See slide #16 for a reconciliation of Adjusted EBITDA

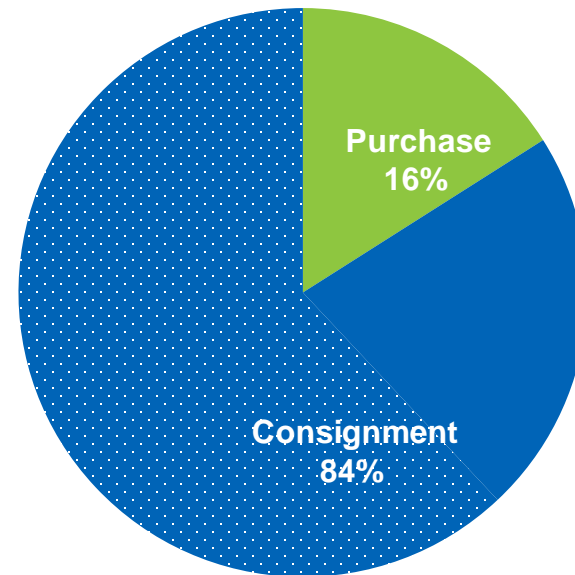
# Diversification By Pricing Model

## GMV Mix By Pricing Model



■ Purchase ■ Consignment ■ Self-Directed Consignment

**Q1 FY20**

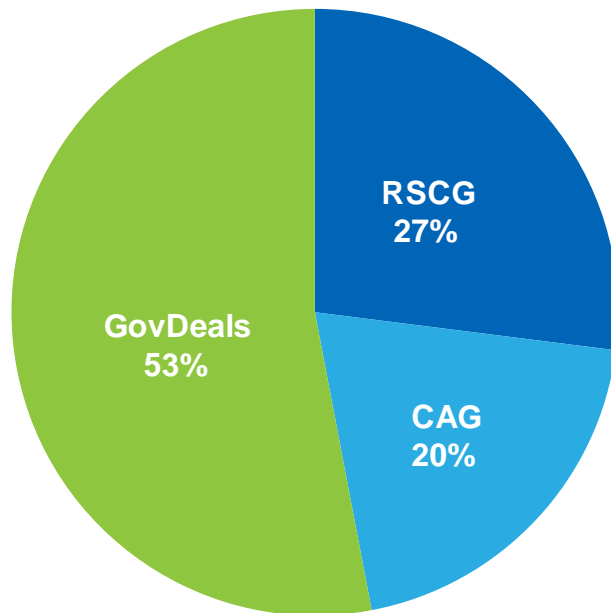


■ Purchase ■ Consignment ■ Self-Directed Consignment

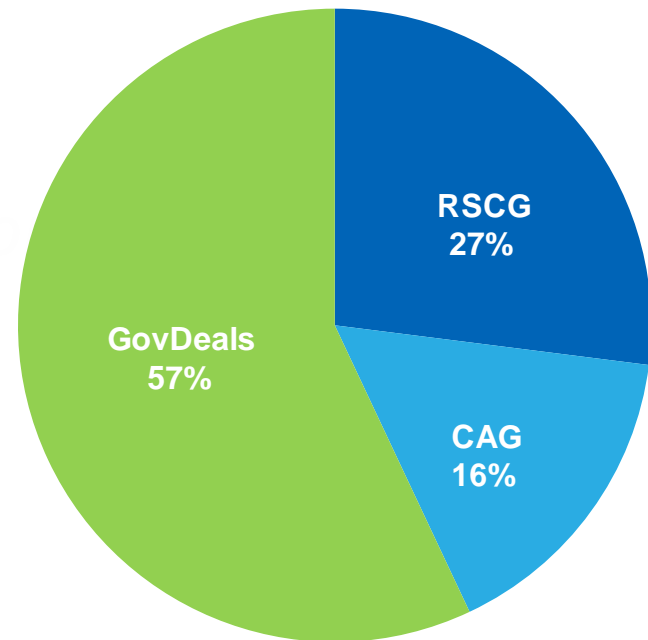
**Q1 FY21**

# Diversification By Segment

## GMV Mix by Segment



Q1 FY20



Q1 FY21

# Reconciliation of Financial Data

## Adjusted EBITDA Reconciliation

In Thousands	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Net Income (Loss)	(\$4,362)	(\$4,649)	(\$5,224)	(\$5,196)	(\$4,238)	\$213	\$5,447	\$4,514
Interest & other expense (income), net	(376)	(368)	(124)	(166)	(167)	(156)	(88)	(103)
(Benefit) Provision for income taxes	328	542	63	458	43	209	90	297
Depreciation and amortization	1,165	1,206	1,516	1,572	1,577	1,567	1,574	1,871
EBITDA	(\$3,245)	(\$3,269)	(\$3,769)	(\$3,332)	(\$2,785)	\$1,833	\$7,023	\$6,579
Stock compensation expense	2,581	1,362	1,367	1,039	1,231	1,516	1,875	2,229
Acquisition costs and related fair value adjustments and impairment of goodwill and long-lived assets	38	52	(69)	5	-	-	-	-
Business Realignment Expense (severance costs)	5	1,055	483	-	-	328	77	5
Fair value adjustments to acquisition earn-outs	1,300	900	1200	200	-	-	-	-
Deferred revenue purchase accounting adjustment	258	110	18	3	-	-	-	-
Adjusted EBITDA	\$937	\$210	(\$770)	(\$2,085)	(\$1,554)	\$3,677	\$8,975	\$8,813





*A Better Future for Surplus*

Investor Relations

[investorrelations@liquidityservicesinc.com](mailto:investorrelations@liquidityservicesinc.com)