

CEO Prepared Remarks:

Good morning and welcome to our Q2 earnings call. I'll review our Q2 performance and the progress of our business segments and next Jorge Celaya will provide more details on the quarter.

Our marketplace platform and services continue to delight customers fueling double digit organic revenue and GMV growth year-over-year. Our business continues to prove its resilience even against the backdrop of higher interest rates and slowing growth in many sectors of the economy.

We are pleased that our balanced investments in sales, operations and platform automation are being rewarded across our diversified segments with market share expansion, and record buyer participation on our platform. In fact, this quarter we shattered records for the number of completed transactions, up 44% YoY, and number of auction participants, up 43% YoY, which reflects the growing breadth of supply and liquidity we have developed on our marketplace platform.

Our Retail Supply Chain Group (RSCG) segment set a new quarterly GMV record with approximately \$80 million of GMV, powered in part by the rapidly accelerating growth of our [AllSurplus Deals](#) direct-to-consumer sales channel which grew GMV sequentially over 60%.

Our CAG segment continues to grow its recurring heavy equipment seller base at a record pace and grew its GMV by over 30% YoY during the quarter. CAG's AllSurplus marketplace is the global market maker of choice for industrial sellers in all regions of the world and in all verticals. For example, our CAG segment completed several high value transactions in our automotive and energy categories reflecting how corporate clients are using our marketplace to monetize assets amidst slowing growth in many sectors of the economy.

Our Machinio segment achieved record revenue and paying customer counts driven by improvements to its online classifieds marketplace which efficiently matches buyers and sellers of used equipment around the globe. Machinio's recent expansion into China is going well and this initiative more than doubles the addressable market for our Machinio business.

We are also very excited to welcome Sierra Auction to Liquidity Services and are now leveraging its market leading position in the southwest U.S. to cross-sell its offerings to our government and commercial clients.

We remain enthusiastic about our strategy and the strength of our business model. During Q2 we generated \$34.8 million in operating cash flow which funded our organic growth initiatives, the Sierra acquisition, and continued share repurchases while generating \$10 million of free cash flow to our balance sheet.

In summary we are very well positioned strategically and financially in the current environment. We have solutions that help our clients weather the cyclical nature of an uncertain macro environment. We have a robust business development pipeline and continue to pursue strategic opportunities in each segment of the circular economy to drive shareholder value and provide outstanding service to our customers across the global supply chain. I will now turn it over to Jorge for more details on the quarter.

CFO Prepared Remarks:

Good morning,

Our second quarter of fiscal year 2024 resulted in a 38% year-over-year increase in GAAP earnings per share, a 35% year-over-year increase in Non-GAAP adjusted earnings per share, and a year-over-year increase in Non-GAAP Adjusted EBITDA of 22%, while growing year-over-year GMV by 13%, and Revenue by 12% .

Specifically, our second quarter of fiscal year 2024 financial results included:

- GMV of \$319.4 million, up 13% from \$282.7 million in the same quarter last year.
- Revenue of \$91.5 million, up 12% from \$81.5 million in the same quarter last year.
- GAAP earnings per share of 18 cents, up 5 cents, or 38% year-over-year.
- Non-GAAP earnings per share of 27 cents, up 7 cents, or 35% year-over-year.
- Non-GAAP Adjusted EBITDA of \$12.1 million, up 22% from \$9.9 million in the same quarter last year.

We set new quarterly records with 1.1 million auction participants and 300,000 completed transactions in the fiscal second quarter.

We ended the fiscal second quarter with \$117 million in cash, cash equivalents and short-term investments. We generated \$34.8 million of cash from operations during the fiscal second quarter, and after using \$13.3 million for the acquisition of Sierra Auction and \$7.9 million repurchasing 474,000 shares of our common stock during the quarter, our cash on-hand still increased \$10 million, while we continue to have zero debt and \$25 million of available borrowing capacity under our credit facility.

Specifically comparing segment results from this fiscal second quarter to the same quarter last year, our CAG segment was up 29% on GMV, 30% on revenue, and 31% on segment direct profit, driven by consignment sales in our industrial and heavy equipment categories, including completion of some of the sales delayed from the prior quarter, and some international purchase transactions.

GovDeals segment was up 11% on GMV, 22% on revenue, and 20% on segment direct profit, reflecting the increased availability of vehicles, paired with a higher blended revenue take-rate due to expansion of service offerings into new markets, while experiencing slower than anticipated real estate auction volume despite continued in-roads in various jurisdictions.

Machinio revenue was up 21%, and its segment direct profit was up 22% reflecting continuing increase in subscribers and prices for its Machinio Advertising and Machinio System dealer management products.

Our Retail or RSCG segment was up 9% on GMV, setting a new quarterly record of \$79.6 million, while up 6% on revenue, and up 2% on segment direct profit, reflecting an increase in low touch consignment solutions and high volumes from purchase programs, while continuing to experience a lower value product mix in certain full-service consignment and purchase programs.

Our third quarter of fiscal year 2024 outlook reflects a continuation of double digit consolidated GMV growth at the mid-point of our guidance range, led by CAG's energy and industrial categories and the continued growth of CAG's heavy equipment activity.

Our Machinio subscription-based business is also anticipated to continue to report double digit revenue growth.

Our fiscal third quarter 2024 outlook also reflects the seasonally high activity at GovDeals, with year-over-year GMV growth expected to continue with higher volumes more than offsetting the potential for softer used vehicle market prices than last year. GovDeals revenue is expected to grow at a faster year-over-year rate than GMV due to our expansion of more full-service consignment offerings since the acquisition of Sierra Auction in January 2024.

Our RSCG segment expects to sustain volumes similar to this past fiscal second quarter's record Retail GMV. AllSurplusDeals, our Retail direct to consumer curbside pick-up marketplace, is expected to sustain a strong year-over-year growth rate this coming quarter. Our Retail segment continues to improve selling through the backlog of lower value product with improved operational efficiency and buyer demand generation, potentially resulting in some improvement in the direct profit margins sequentially yet still down compared to last year.

Operating expenses year-over-year will be up similar to this past fiscal second quarter that included the effect of the Sierra Auction acquisition, continued operational investment in the expansion of AllSurplusDeals, and the higher sales and technology personnel to accelerate platform technology enhancements and market share gains.

We are anticipating our consolidated revenue as a percentage of GMV to reflect our growth in consignment and remain in the low-to-mid twenty percentage range. We currently expect our segment direct profits as a percent of total revenue to be in the low-to-mid fifty percent range reflecting current direct profit margins in our RSCG segment. Both ratios can vary based on our mix between and within our segments for asset categories in any given period.

Management's guidance for the third quarter of fiscal year 2024 is as follows:

- we expect GMV to range from \$350 million to \$385 million.
- GAAP net income is expected in the range of \$3.5 million to \$6.5 million, with a corresponding GAAP diluted earnings per share ranging from \$0.11 to \$0.21 cents per share.
- We estimate non-GAAP adjusted EBITDA to range from \$10.5 million to \$13.5 million.
- Non-GAAP adjusted diluted earnings per share is estimated in the range of \$0.20 to \$0.28 cents per share.

- The GAAP and non-GAAP EPS guidance assumes that we have approximately 31.5 to 32 million fully diluted weighted average shares outstanding for the third quarter of fiscal year 2024.

Thank you, and we will now take your questions.