Bill Angrick – Chairman & CEO

Good morning and welcome to our Q4 earnings call. I'll review our Q4 performance and the progress of our business segments and next Jorge Celaya will provide more details on the quarter.

Our outstanding Q4 results reflect the depth, scale and liquidity of our proprietary e-commerce marketplaces, value-added software solutions and our team's customer focused culture. Our ability to connect buyers and sellers in the Circular Economy across hundreds of diverse categories, ranging from multi-million-dollar industrial and construction assets to vehicles and retail consumer goods, is a key competitive advantage and positions us well in any economic climate. We continue to expand and enhance our capabilities, including our recent integration of a new payment solution to improve the buyer experience and operational efficiency of our marketplaces.

Our growth in Q4 reflects the strong operational execution of our RISE strategy as GMV, adjusted EBITDA, and adjusted EPS grew 12%, 28% and 16% YoY, respectively – all above our guidance range. Our Q4 adjusted EBITDA margins as a percentage of Direct Profit grew over 310 b.p. over the prior year to 32.8%, reflecting a continued mix shift to higher margin consignment and software solutions and the operating leverage of our technology platform.

For the full year fiscal 2025, Liquidity Services made both strong financial and strategic gains and we see a clear path to our mid-term goals of $2 Billion in annual GMV and $100 million of annual adjusted EBITDA.

Key highlights from FY25 include:

1. We achieved a record $1.57 billion in GMV in FY25 eclipsing the $1.5 billion GMV milestone for the first time and achieved Revenues of nearly $477 million, up 31% YoY. We achieved these marks with an increasingly diversified business as every LSI segment grew both its top and bottom line during the year. Our strategy has prioritized low-touch consignment services and software solutions with recurring revenue characteristics that are creating substantial value for customers within a $100 Billion+ GMV market opportunity across the government, industrial and retail sectors.

2. We generated strong profitability and free cash flow during FY25 with adjusted EBITDA of $60.8 million, up 25% YoY, our highest AEBITDA in 11 years. Our asset light business model and operational efficiencies, including the increasing use of AI assisted technologies, allowed us to generate $59 million of free cash flow during the year, providing strong flexibility to execute our strategic plan.

3. Our buyer base and liquidity continue to be a strong competitive advantage for LSI and, during FY25, we eclipsed 6 million registered buyers for the first time and set a new record of 4.1 million auction participants on our platform.

4. We continued our expansion and diversification of our GovDeals segment which achieved a record $903 million of GMV, up 8% YoY, eclipsing the $900 million GMV threshold for the first time, driven by consistent growth in the number of new sellers, active sellers and record vehicle and equipment sales volume. We have further segmented our North American territories, identified government adjacent markets and added capacity to our sales organization to drive further growth.

5. We continued to expand our CAG Heavy Equipment fleet category which grew GMV over 35% organically in FY25. Our strong buyer base, sell in place service model and user-friendly experience has allowed us to develop and grow relationships with national equipment fleet owners with recurring sales volume. This has propelled this category from zero a few years ago to a run rate of $100+ million GMV, resulting in higher and more consistent growth and profitability within our CAG segment.

6. Our Retail segment grew GMV 30% YoY by securing new recurring program flows from existing and new clients and leveraging the strength of our multi-channel buyer base and agile operating footprint. Additionally, we recently launched our new localized consumer auction channel Retail Rush to drive higher recovery for our clients and value for consumers.

7. We further scaled our Machinio classified and dealer management software business in FY25. In addition to achieving record revenue and AEBITDA during the year we have expanded our Machinio sales capacity and developed platform innovations to target new growth opportunities within the heavy equipment, marine and service industries.

8. We completed the purchase of Auction Software in January to expand our software development capacity to grow our SaaS offering with existing and new customers and to provide a platform for the launch of our new consumer online auction channel RetailRush. We are excited by the opportunity to accelerate and expand our innovations in the Circular Economy with this new team and technology portfolio which anchors our new Software Solutions segment.

9. During FY25 we continued to advance our LSI product roadmap with several innovations. For example, we deployed our new seller asset management (SAM) tool in Canada on our GovDeals and AllSurplus marketplaces. The new SAM tool incorporates mobile responsive design templates, AI assisted listing descriptions, and asset verification tools which enhance the speed and quality of our customers' daily usage on our platform. We are well underway in rolling these new tools out in the U.S. market to our over 15,000 sellers. During the year we also deployed new payment processing capabilities as a value-added service. We expect this to improve the convenience and choices of payment for our buyers but also to enhance our margins over time.

10. We have benefited from strong employee engagement, collaboration and recruiting this past year. Our HR function sourced 51 management and functional support new hires during FY25 and, for the first time in our history, did so without using external recruiting agencies. Nearly 20% of our total new hires have been referrals from existing Liquidity Services team members reflecting the pride we have within our organization.

In summary, our role as the leading global provider of e-commerce marketplaces and software solutions powering the circular economy is a strongly differentiated, valuable business. Our resilient, diversified platform provides stability for our customers and investors alike amid ongoing economic uncertainty. With our proven service offerings and continued investment in innovation, we are uniquely equipped to empower our buyers and sellers, and drive sustainable, long-term growth in the large and fragmented Circular Economy market. With over $186 million of cash and zero debt, we continue to evaluate M&A opportunities in the large, fragmented Circular Economy market that is still early on in digital transformation.

I will now turn it over to Jorge for more details on the quarter and business outlook.

Jorge Celaya – EVP, CFO

For fiscal year 2025 we surpassed $1.5 billion of GMV, setting a new annual record. We exceeded our rule of 40 goal with solid double digit top line growth and strong Adjusted EBITDA growth of 25% to $61 million; the highest profitability in over a decade. And on the heels of the past 4 years, where we consistently grew Adjusted EBITDA steadily from $43 million to $48 million, fiscal year 2025 reflected our capacity for operating leverage from our resilient, diversified business model that delivered the $61 million this year in Adjusted EBITDA, which was a 300 basis point improvement in our Adjusted EBITDA margin as a percent of our segments' direct profit. Our cash flow performance also remained strong, generating $66.8 million in operating cash flow, and achieving significant free cash flow conversion, which on average over the last 5 years has exceeded 100%, where free cash flow is operating cash flow less capex.

Our business model is focused on key financial objectives, including growing our segments' direct profit; a metric that serves to equalize the effect of growing consignment versus purchase GMV streams. We therefore also focus on Adjusted EBITDA as a percent of our segments' direct profit.

Consistently serving our customers with reliability, while providing technology-enabled solutions and seller-access to our significant buyer base globally, has enabled our market share gains. Investing in our marketplaces and embedding leading technologies into our platform, including AI enhancements, reflects our commitment as industry leaders.

Our fiscal year 2025 financial results are highlighted by strong year-over-year growth across each of our key metrics. Our consolidated GMV increased 15% and revenue grew 31% to $476.7 million, reflecting the significant purchase volumes in our Retail segment earlier in the year. Our segments' direct profit in total grew 13% year-over-year.

GAAP Net Income of $28.1 million increased 41% resulting in Earnings Per Share of 87 cents for fiscal year 2025. On a Non-GAAP adjusted basis, Earnings Per Share for the year was $1.28. Our Effective Tax Rate for fiscal year 2025 was 28.8%, and we spent $7.8 million in capex for the year. Our Non-GAAP Adjusted EBITDA was $60.8 million, up 25% versus the prior fiscal year.

Our fiscal year 2025 was capped by a very strong fourth quarter led by our GovDeals and Retail segments. While the Retail Segment's revenue was down sequentially from the fiscal third quarter from lower purchase volumes, which we guided to at the end of last quarter, GMV was sequentially up and the segment's direct profit and overall profitability also improved.

Our consolidated results for our fiscal fourth quarter of 2025 includes GMV of $404.5 million, up 12%, with revenue of $118.1 million, up 10%, resulting in a revenue to GMV ratio of 29% for the quarter with a lower mix of purchased flows in Retail during the second half of the quarter.

Our GAAP Earnings Per Share was 24 cents, up 20%, our Non-GAAP Adjusted Earnings Per Share was 37 cents, up 16%, and our Non-GAAP Adjusted EBITDA was $18.5 million, up 28%.

During the fiscal fourth quarter we generated $38 million in cash flows from operations, conducted $16.1 million of share repurchases, and ended the quarter with $185.8 million in cash, cash equivalents and short-term investments. We continue to have zero debt, and we have $26 million of available borrowing capacity under our credit facility. At the end of the quarter we had $1.5 million of authorization remaining to perform share repurchases and we have since received authorization from our Board for an additional $15 million.

Specifically comparing segment results from this fiscal fourth quarter to the same quarter last year, our CAG segment GMV was up 18%, up 20% on revenue and up 16% on segment direct profit from continued growth of recurring sellers in the heavy equipment category and international industrial sales events. Our GovDeals segment's GMV was up 12%, revenue up 17%, and direct profit up 19%, driven by high-dollar value asset sales. The GovDeals Segment direct profit of $22.3 million set a new quarterly record.

The Retail segment was up 8% on GMV, up 6% on revenue, growing consignment programs which offset the anticipated lower purchased volumes. Retail's direct profit increased 19%, also setting a new quarterly record of $20.3 million reflecting improved recovery rates on select purchase model programs, the mix in flows, and lower transaction processing fees.

Machinio & Software Solutions combined to increase revenue by 29% and direct profit by 24%, driven by increased Machinio subscriptions and pricing for its services and the new software solutions business which offers online auction solutions under a SaaS model.

Moving on to our outlook for our fiscal first quarter of 2026, our guidance range includes double-digit year-over-year growth in our profitability metrics, driven by the continuation of our recent higher-margin business mix combined with operational discipline. Despite last year's fiscal first quarter consolidated GMV and revenue growing 26% and 72%, respectively, GovDeals, CAG and the Machinio & Software Solutions segments are expected to continue to reflect top line growth year-over-year, while comparatively lower expected inventory purchases by our Retail or RSCG segment may result in tempered year-over-year consolidated GMV and revenue. However, Retail is expected to reflect higher segment direct profit margins and improved overall profitability compared to the fiscal first quarter of last year.

On a consolidated basis, consignment GMV is expected to continue to be in the low eighties as a percent of total GMV. Consolidated revenue as a percentage of GMV is expected to be slightly below thirty percent, and the total of our segment direct profits as a percentage of consolidated revenue is expected to again be in the mid-to-high forty percent range. These ratios can vary based on our overall business mix, including asset categories in any given period.

We will continue to focus on growth in our segment direct profits and our adjusted EBITDA, targeting our rule of 40 through optimizing product and service mix and long-term operating leverage to improve margins and maintain strong cash conversion. Our business model is focused on our financial objectives, while we emphasize serving our customers with reliability and innovation, enabling market share gains with technology-enabled services.

Management's guidance for the first quarter of fiscal year 2026 is as follows:

- We expect GMV to range from $370 million to $405 million.

- GAAP net income is expected in the range of $5 million to $8 million, with corresponding GAAP diluted earnings per share ranging from 15 cents to 25 cents per share.

- Non-GAAP adjusted diluted earnings per share is estimated in the range of 25 cents to 35 cents per share.

- We estimate non-GAAP Adjusted EBITDA to range from $13.5 million to $16.5 million.

- The GAAP and non-GAAP Earnings Per Share guidance assumes that our effective tax rate will be similar to fiscal year 2025 and that we have approximately 32.5 to 33 million fully diluted weighted average shares outstanding for the first quarter of fiscal year 2026.

- We expect capex will remain consistent with our recent levels of approximately $2 million per quarter and our free cash flow conversion to remain in line with historical patterns.

- As has been our typical seasonal pattern, we continue to expect the second half of the fiscal year to show higher GMV and higher profitability than the first half of the fiscal year.

Thank you and we will now take your questions.