

# Investor Presentation

Second Quarter, Fiscal Year 2015  
May 2015



*A Better Future for Surplus*

# Forward-Looking Information



This presentation contains forward-looking statements. All forward-looking statements speak only as of the date of this presentation. Except as required by applicable law, we do not intend to publicly update or revise any forward-looking statements. These forward-looking statements are only predictions and are not guarantees of performance. These statements are based on our management's beliefs and assumptions, which in turn are based on currently available information. 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. Many of these factors are beyond our ability to control or predict. 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. These statements include, among others, statements regarding our expected business outlook, anticipated financial and operating results, our business strategy and means to implement the strategy, our objectives, the amount and timing of capital expenditures, the likelihood of our success in expanding our business, financial plans, budgets, working capital needs and sources of liquidity.

Potential investors should carefully review in its entirety our filings with the Securities and Exchange Commission from time to time. You should be aware that the occurrence of the events described in the "Risk Factors" section and elsewhere in our periodic reports could harm our business, prospects, operating results, and financial condition.

The financial information provided herein includes the Company's discontinued operations for its UK retail supply chain business which was closed effective September 30, 2011.

# Who We Are

Liquidity Services is a global solution provider in the reverse supply chain with the world's largest marketplace for business surplus.

We...

Manage, value, and sell surplus across the globe in virtually every asset category and condition

Maximize return, more efficiently and more strategically

Optimize and execute surplus management strategies to achieve your business goals



# The Industry Leader in the Reverse Supply Chain

Trusted by over  
**7,000**  
clients worldwide

Experienced in over  
**500**  
asset categories and all  
asset conditions

Over  
**\$5 billion**  
in total sales



**\$1 billion**  
in annual sales proceeds

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

Nearly  
**3 million**  
registered buyers

Approximately  
**1,300**  
employees with reach  
into nearly 200 countries  
and territories

Over  
**500k**

transactions  
completed annually

**LQDT** ▲

Publicly traded company  
(LQDT) with profitability every  
quarter since 2006 IPO

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

## CLIENTS



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 Clients

## CLIENTS WE SERVE



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 CLIENTS



### 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

# Services

Liquidity Services provides organizations in every major industry with consultative surplus asset management, valuation, and sales solutions.

## Services for Surplus Capital Assets

- Program Management
- Valuation Services
- Asset Management
- Marketing & Sales
- Warehousing & Transportation Support
- Buyer Customer Support
- Compliance & Risk Mitigation



## Services for Surplus Retail Inventory

- Program Management
- Reconciliation, RTV, & RMA
- Refurbishment & Recycling
- Marketing & Sales
- Fulfillment Services
- Buyer Customer Support
- Compliance & Risk Mitigation



# Client Depth Across Industries

## Retailers

## Retail OEM's

## Government

## Energy

## Transportation

## Technology

## Healthcare & BioPharma

## Industrial

## Asset-Based Lenders

# Providing Superior Buyer Experiences

## BUYERS WE SERVE



Online Power Sellers



Discount Retailers



End Users



Value-Added Resellers/  
Refurbishers



Import/Export Firms



Flea Market Resellers



Scrap Recyclers

## OUR VALUE PROPOSITION TO CLIENTS



### 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



### 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



### Excellent Customer Service

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

# Your Global Partner

With 53 locations in 21 countries on six continents and buyers in nearly 200 countries and territories, we provide you with global coverage for your reverse supply chain.

**53 locations**

**21 countries**

**6 continents**

## United States

Anaheim, CA  
Atlanta, GA (2)  
Cranbury, NJ  
Fontana, CA  
Fort Worth, TX  
Frisco, TX  
Garland, TX  
Groveport, OH  
Hayward, CA  
Hopkins, MN  
Houston, TX  
Indianapolis, IN  
Las Vegas, NV (2)  
Lockbourne, OH  
Montgomery, AL  
Nashville, TN  
New Castle, DE  
North Wilkesboro, NC  
Oklahoma City, OK

Owings Mills, MD  
Plainfield, IN  
Scottsdale, AZ  
Washington, DC

## Argentina

Buenos Aires

## Australia

Victoria  
Perth

## Brazil

São Paulo

## Canada

Brampton, ON  
Mississauga, ON  
Toronto, ON

## China

Hong Kong  
Shanghai

## Colombia

Bogota

## Costa Rica

Heredia

## France

Vanves

## Germany

Munich

## India

Mumbai

## Ireland

Dublin

## Japan

Tokyo

## Malaysia

Kuala Lumpur

## Mexico

Mexico City

## Philippines

Muntinlupa City 1770

## Singapore

Singapore 189702

## Spain

Barcelona

## South Africa

Cape Town  
Johannesburg

## United Arab Emirates

Dubai

## United Kingdom

Birmingham  
Bristol  
Leeds  
London

# North American Reach

With 13 warehouses and fulfillment centers totaling over two million square feet and five lots totaling over 110 acres, we can meet your storage and transportation needs across North America.

## Warehouses

Groveport, OH  
Lockbourne, OH  
Oklahoma City, OK (2)  
Hayward, CA

## Fulfillment Centers

Cranbury, NJ  
Plainfield, IN  
Garland, TX  
Las Vegas, NV (2)  
North Wilkesboro, NC  
Hopkins, MN  
Toronto, Canada

## Lots

Atlanta  
Dallas/Ft Worth  
Delaware  
Indianapolis  
Los Angeles



# Market Opportunity

\$50 Billion  
Retailers &  
OEMs

\$3 Billion  
U.S Public  
Sector

\$8 Billion  
Energy

\$20 Billion  
Industrial Capital  
Assets

\$48 Billion  
Transportation

**\$130 Billion Total Addressable Market**

Our Clients  
Across  
Industries



Acquire  
Complementary  
Businesses

Develop and Enhance  
Features and Services

Expand Vertical Market  
Segments and  
Expertise

Grow Buyer Base and  
Increase Penetration

Increase Penetration of  
Existing Sellers

Develop New Seller  
Relationships

Consistent execution of growth strategy delivers long term shareholder value

# Current Initiatives

*A Better Future for Surplus*

# LiquidityOne Initiative to Transform Liquidity Services

This initiative focuses on implementing best practices across our company to enhance client experiences and reinforce our brand promise.



# The LiquidityOne Initiative Establishes



**A centralized, global sales team to bring clients targeted expertise and go-to-market strategies**



**A single data warehouse for superior business intelligence to advise on the reverse supply chain**



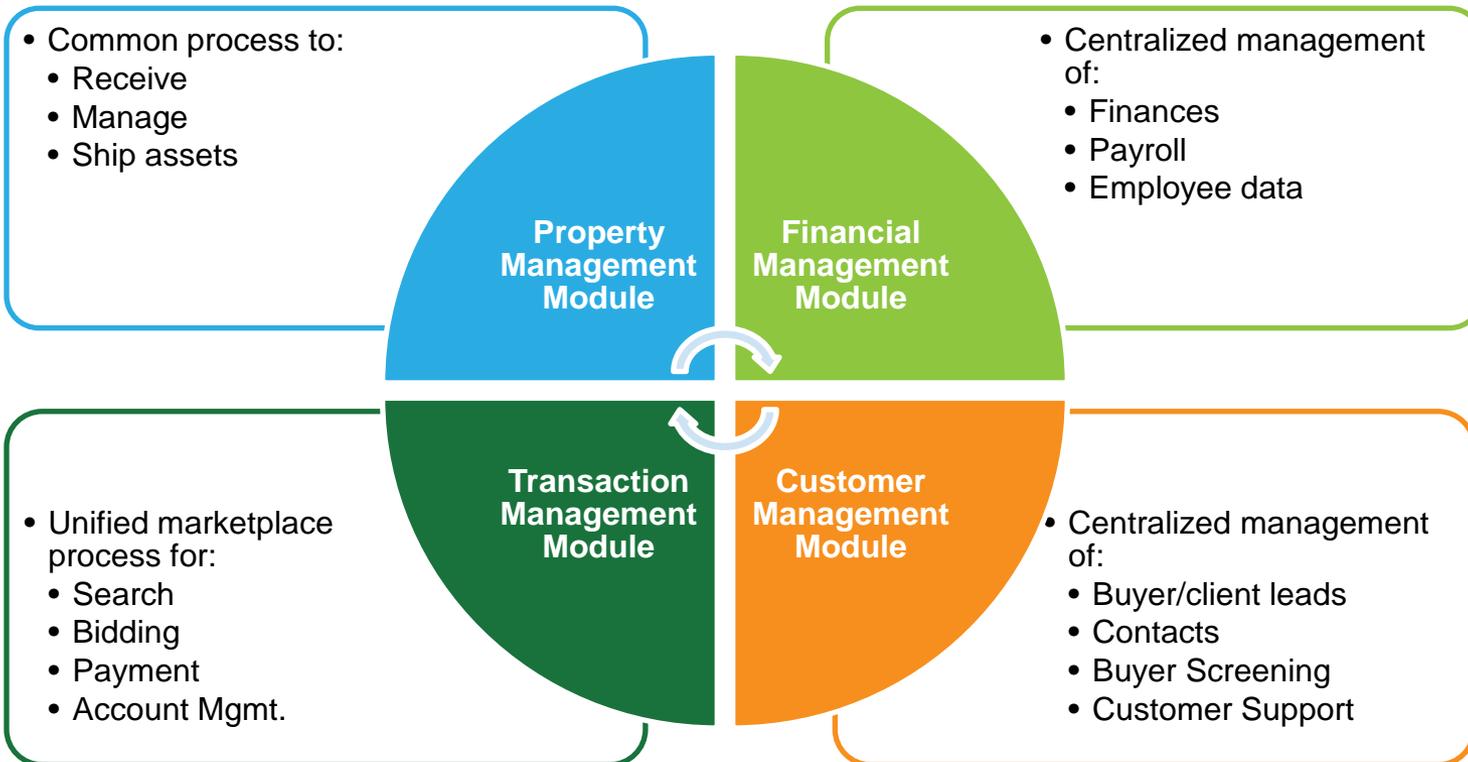
**A centralized, expert marketing team to grow our global buyer base and maximize recovery**



**One world-class online experience for buyers to drive satisfaction, supported by centralized customer support**

# Key Components of LiquidityOne

Consolidation of best-in-class processes and capabilities into a single, modular platform increases our scalability and efficiency as an integrated, global business



- Total Cost of \$14 million across FY15 and FY16
- ROI of \$7-8 million in reduced spend annually upon completion
- **Payback in 18-24 months**

# Achieving Key Milestones

## FY'14

Data Warehouse

Global Sales Team  
Infrastructure Established

Reorganization

## FY'15

Define Single Set of Best  
Practices and Processes

Rebrand Launch

Global Sales Operation  
Center of Excellence &  
Process

New Client Lead Scoring  
Process

Complete Requirements on  
all Four Modules

Begin Engineering of  
Module Requirements

## FY'16

HRIS Launch

Payroll System Launch

Launch Working Prototype  
of CMM, PMM, and TMM

First Marketplace Migration  
to New Platform

## FY'17

Official  
Launch of  
Integrated  
Platform and  
Unified  
Capital Asset  
Marketplace

We expect to have the transformation plan largely complete by early FY17 and a new normal of business trajectory by FY18.

# Financial Results

*A Better Future for Surplus*

# Financial Highlights



## Compelling Business Model

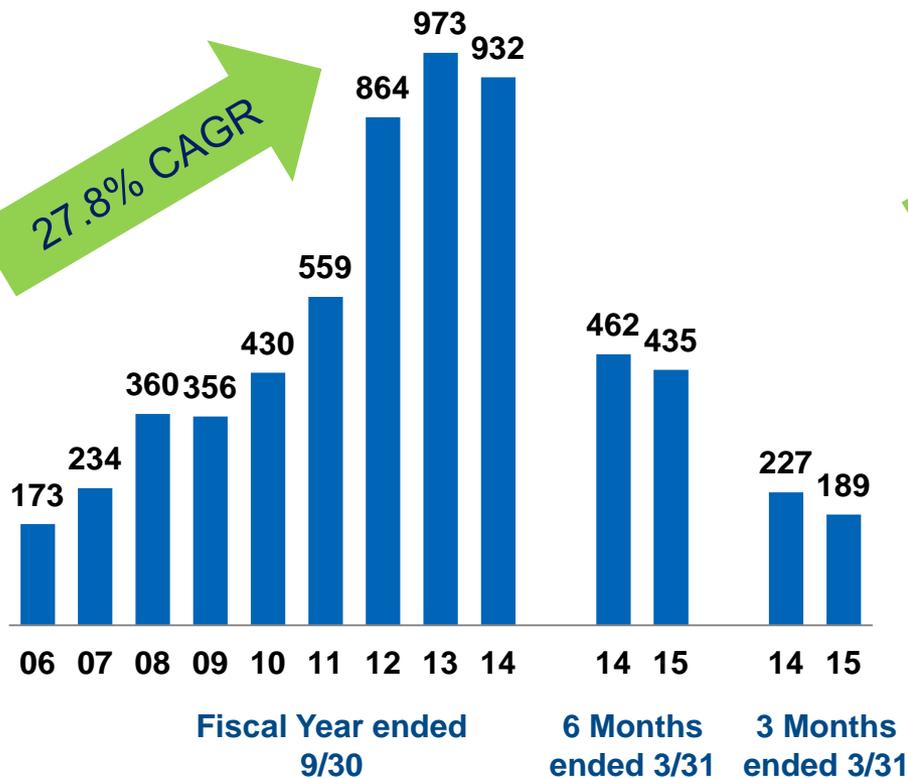
- High Customer Value
- Multiple, Recurring Revenue Streams
- Large Average Transaction Values
- Diversified Product and Customer Mix
- Significant Barriers to Exit as Critical Mass Builds

## Strong Financial Position

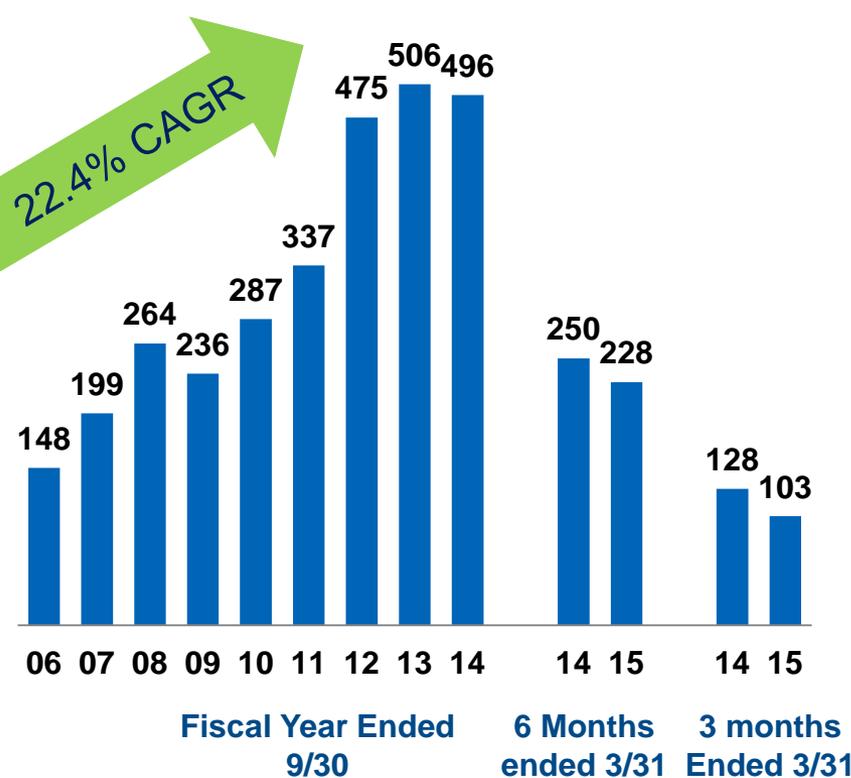
- \$86.2 million of Cash
- Debt Free
- Trailing 12 month Adj. EBITDA of \$52.0 million
- 50 Consecutive Quarters of Profitability
- Minimal Cap Ex – \$8.0 - \$9.0M Annually

# Strong Track Record of Growth\*

## GMV



## Revenue



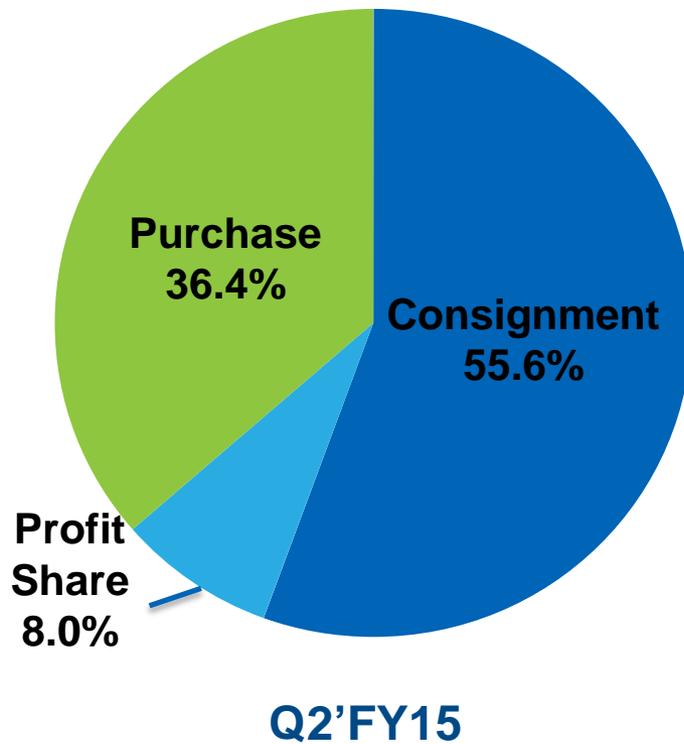
### Multiple, Synergistic Revenue Streams

- Consignment Model
- Profit Sharing Model
- Purchase Model
- Revenue Share Model
- Service Revenue
- Buyer Premium Fees

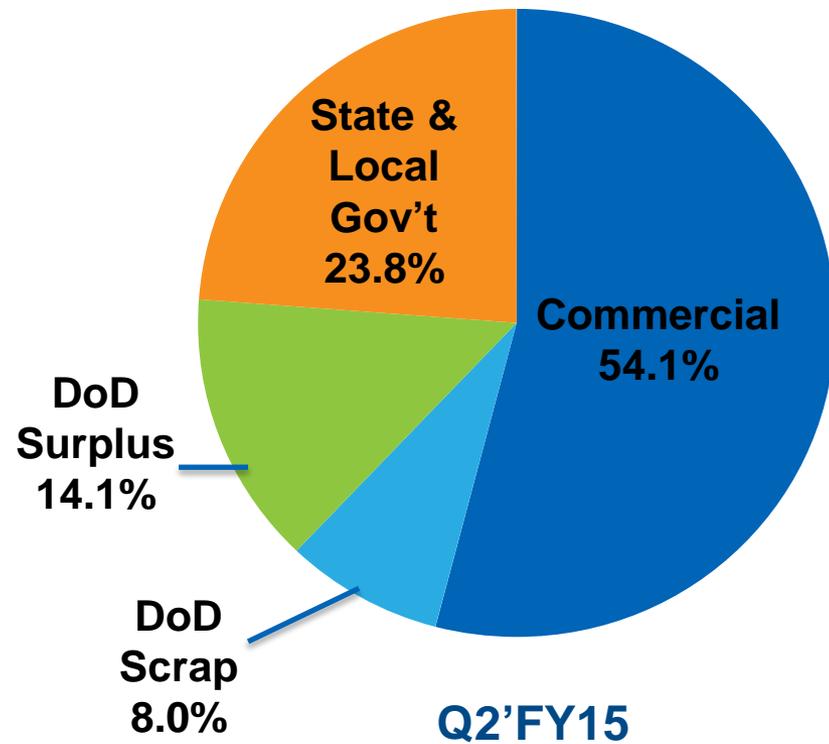
\* All numbers are in millions

## GMV Mix

### Pricing Model

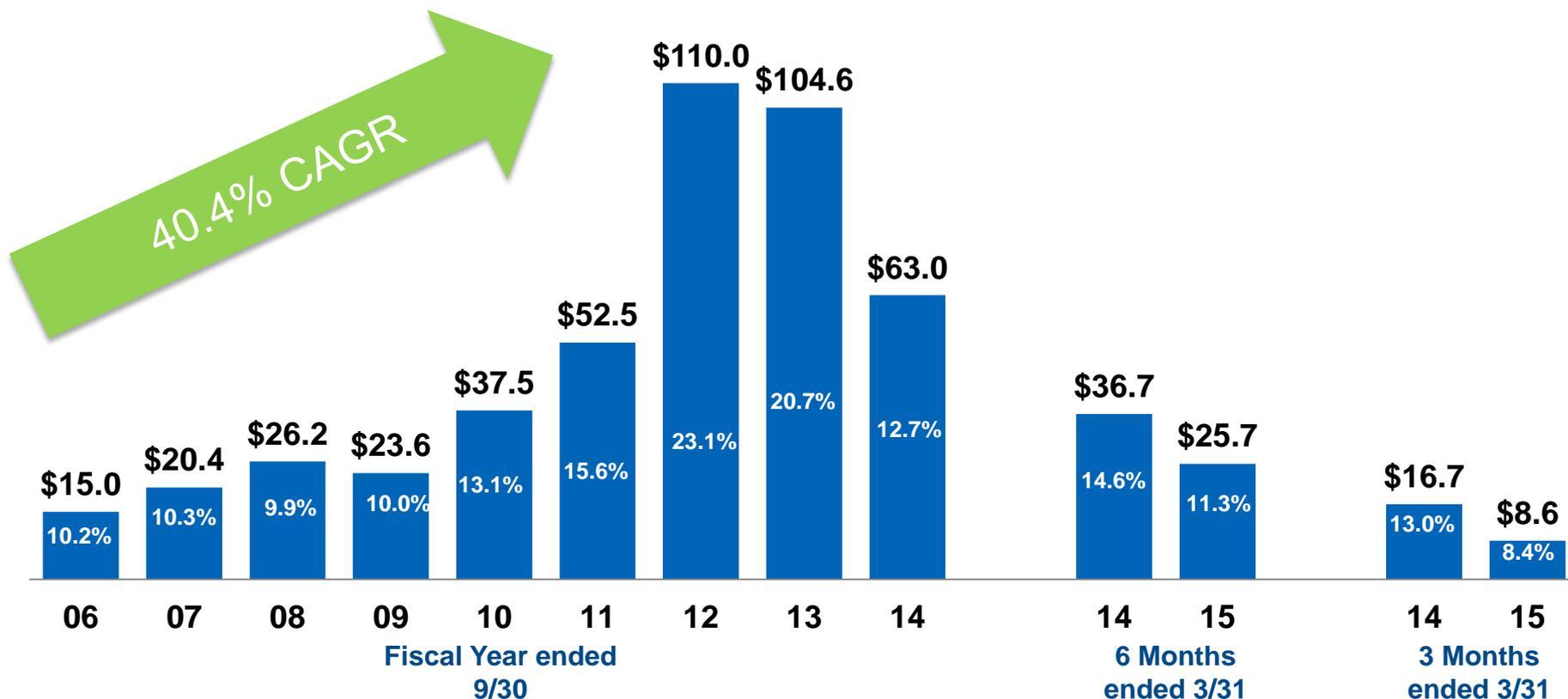


### Seller Base



# Profitability

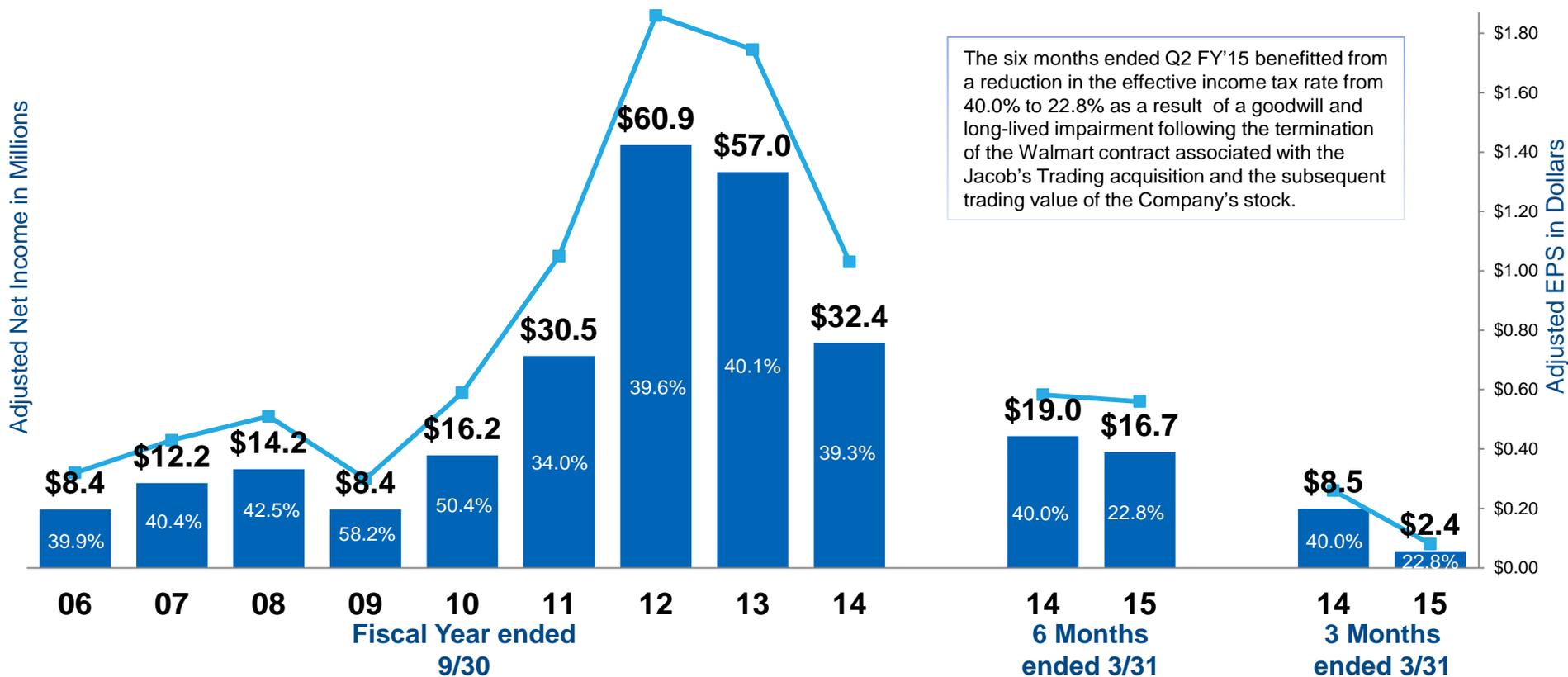
## Adjusted EBITDA<sup>(1)</sup>



Note: Percentages indicate margin based on GAAP Revenue

(1) Adjusted EBITDA shown for fiscal years 2002 – 2014 includes adjustments for stock-based compensation expense, acquisition costs including changes in earn out estimates, goodwill impairment, and business realignment expense. For the fiscal years ended September 30, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013 and 2014, Net Income was \$1.3M, \$2.8M, \$5.3M, \$4.1M, \$8.0M, \$11.0M, \$11.6M, \$5.7M, \$12.0M, \$8.5M, \$48.3M, \$41.1M, and \$30.4M respectively. For the three and six months ended March 31, 2014 and 2015, Net Income (Loss) was \$5.6M and \$1.4M, and \$12.7 and (\$62.7M), respectively.

## Adjusted Net Income<sup>(2)</sup> & Adjusted EPS



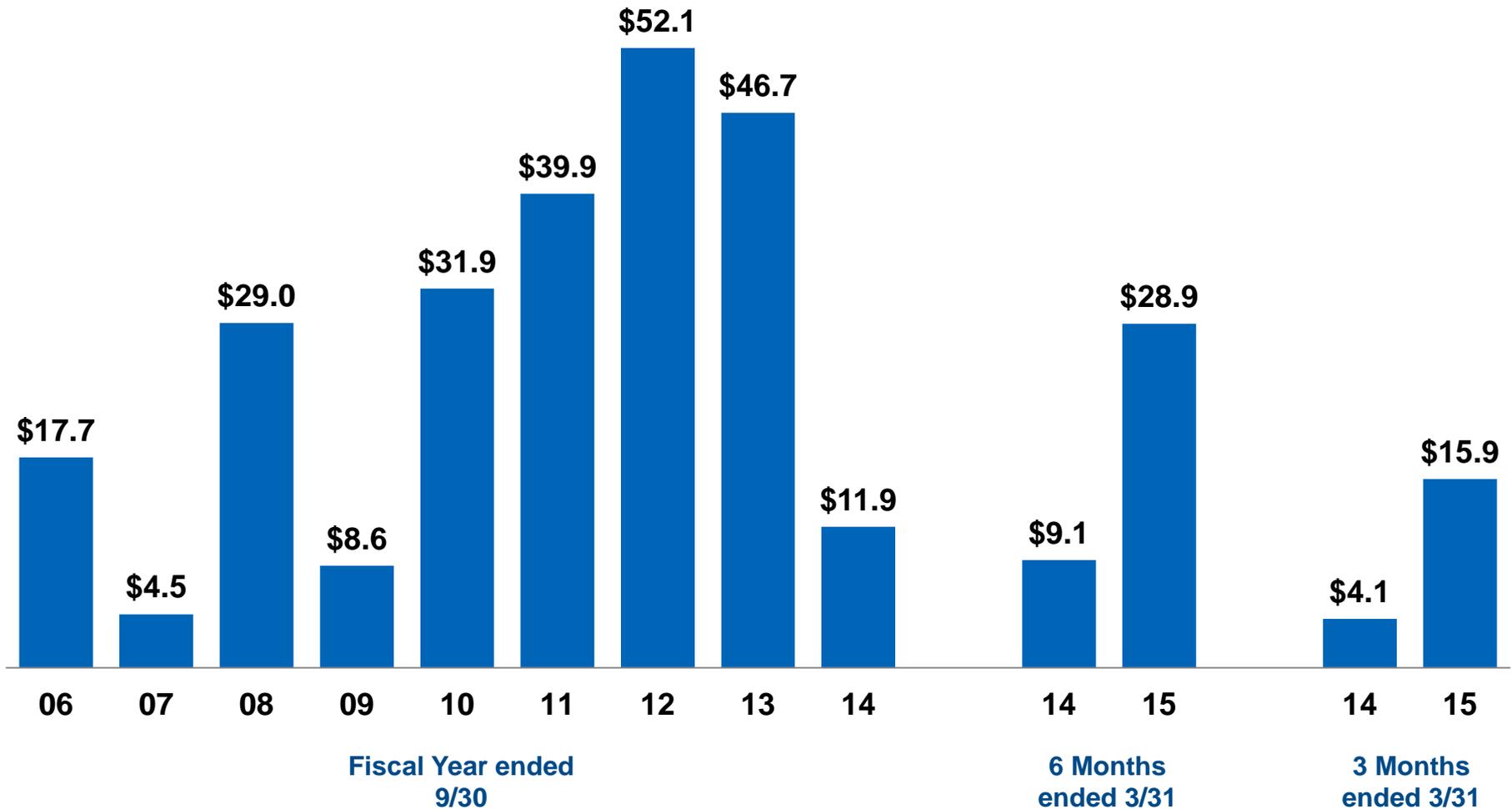
The six months ended Q2 FY'15 benefitted from a reduction in the effective income tax rate from 40.0% to 22.8% as a result of a goodwill and long-lived impairment following the termination of the Walmart contract associated with the Jacob's Trading acquisition and the subsequent trading value of the Company's stock.

Note: Percentages indicate effective income tax rate\*

(2) Adjusted Net Income shown for fiscal years 2002 – 2014 includes adjustments for stock-based compensation expense, amortization of contract intangibles, acquisition costs including changes in earn out estimates, goodwill impairment, and business realignment expense. For the fiscal years ended September 30, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013 and 2014, Net Income was \$1.3M, \$2.8M, \$5.3M, \$4.1M, \$8.0M, \$11.0M, \$11.6M, \$5.7M, \$12.0M, \$8.5M, \$48.3M, \$41.1M, and \$30.4M respectively. For the three and six months ended March 31, 2014 and 2015, Net Income (Loss) was \$5.6M and \$1.4M, and \$12.7 and (\$62.7M), respectively.

\*FY'11 benefitted from a reduction in the effective income tax rate from 50.0% to 34.0% as a result of a tax benefit related to the closure of the company's U.K. operations.

# Strong Operating Cash Flow



# Operating Model – Based on GMV

	FY 2009	FY 2010	FY 2011	FY2012	FY2013	FY2014	1H FY2015
<b>Gross Merchandise Volume</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Revenue	66.3%	66.7%	60.4%	55.0%	52.0%	53.2%	52.5%
Cost of Goods Sold	24.3%	27.7%	24.3%	22.9%	20.5%	22.7%	22.3%
Profit-Sharing Distributions	12.7%	10.0%	8.9%	5.0%	3.7%	3.8%	3.9%
Technology and Operations	13.1%	11.4%	9.9%	7.8%	9.3%	11.7%	11.9%
Sales and Marketing	5.1%	5.0%	4.3%	3.6%	4.1%	4.5%	4.9%
General and Administrative <sup>(1)</sup>	4.5%	3.9%	3.6%	3.0%	3.6%	3.7%	3.6%
<b>Adjusted EBITDA Margin<sup>(2)</sup></b>	<b>6.6%</b>	<b>8.7%</b>	<b>9.4%</b>	<b>12.7%</b>	<b>10.8%</b>	<b>6.8%</b>	<b>5.9%</b>

(1) General and Administrative excludes stock-based compensation, acquisition costs and related fair value adjustments and impairment of goodwill and long-lived assets

(2) See slide #26 for a reconciliation to Adjusted EBITDA and Adjusted Net Income





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