Bill Angrick – Chairman & CEO

Against a backdrop of global tariffs, weather disruptions and geopolitical tensions, I am pleased to report that Liquidity Services continued to grow its market share and create value for customers and shareholders during the March quarter. Our second quarter results were fueled by our broad industry coverage, robust buyer liquidity and improved operating leverage which drove an 18% YoY increase in our total of our segment Direct Profit and a 37% YoY increase in our consolidated adjusted EBITDA.

Our asset light business model continued to generate strong operating cash flow in excess of EBITDA and we ended the quarter with $204 million in cash and zero financial debt. We expect to allocate capital to high quality internal growth initiatives, complementary acquisitions and share repurchases.

Our diversified portfolio continues to show strength in uncertain times and our performance reflects disciplined execution across each segment of our business.

Our RSCG segment continues to leverage our enormous data flows, analytics and domain expertise to dynamically match increased product flows with the right buyer channels to improve recovery and drive meaningful operating leverage. Retail segment GMV and Direct Profit were up 10% and 29% YoY, respectively, as higher consignment flows in our Retail segment were driven by several key Top 20 retail accounts following the peak holiday return season. Our D2C marketplace Retail Rush more than doubled its GMV sequentially during Q2 and continues to establish new records on a month over month basis. Geographically we have continued to grow our Retail buyer and seller base in Canada, Mexico and Brazil and expect these markets to be fertile ground for our marketplace.

In GovDeals, the impact of significant winter weather events resulted in lower than expected GMV growth of 5%. However, GovDeals segment Direct Profit grew 12% YoY and we set a number of new records in Q2 for GovDeals reflecting the strong position of our market leading business, including:

- A record number of new accounts signed which was up 30% YoY
- A record number of unique sellers in this quarter
- A record number of unique bidders in a single month

We continue to see significant expansion opportunities in the $3 Billion GMV public sector personal property market as the majority of large cities and counties still use some form of high cost, full service take away auctions. Our lower cost, flexible solution provides client’s a superior net recovery and we are excited about the growth opportunity to continue to bring value to these agency clients.

Q2 GMV in our CAG segment increased 3%, and Direct Profit increased 12% YoY driven by growth in high margin consignment flows within our industrial client base and continued strength in our heavy equipment category’s recurring seller base. We have continued to grow our CAG buyer base as segment unique bidders grew 36% YoY. The outlook for CAG is quite good as we have a record backlog of new business from existing and new clients with particular strength in energy, biopharma and heavy equipment.

Machinio continued its strong trajectory with solid revenue growth and is approaching $20 million of ARR with 90%+ direct profit margins, reflecting the successful transformation of Machinio into a valued solutions provider of digital commerce solutions to equipment dealers, including lead generation, hosted websites, inventory management, customer management and marketing tools, and service pricing and quote tools. Machinio's expansion into the marine industry vertical is going exceptionally well and we have more than doubled the number of new customers and revenues in this vertical sequentially in Q2. Across Liquidity Services, we continue to use technology, software and data analytics to optimize recovery and operations. For example, we continue to enhance our inventory scanning, classification, image quality and asset descriptions to maximize recovery. We have also leveraged AI to improve seller asset management, valuations and customer service.

Our marketplace continues to scale in size and engagement. We now serve 6.3 million registered buyers, an increase of 8% year over year, with 983,000 auction participants and 280,000 completed transactions this quarter, each demonstrating the growing relevance and liquidity of our platform.

Looking forward we are a well differentiated marketplace in the $100 Billion Circular Economy with outstanding liquidity in every major asset category. Our scaled, technology driven platform which is now approaching a $1.8 Billion GMV run-rate brings transparency and efficiency as the market leader for sellers and buyers in every segment of the economy.

We will continue to create value by growing supply and demand within our existing and new asset categories, geographies and service areas such as Auction Software our Machinio dealer offerings. Thank you for your confidence and continued support. We are well positioned to build on our early momentum and deliver another year of profitable growth. Now I'll turn it over Jorge for more details on the quarter.

Jorge Celaya – EVP, CFO

Good morning,

During the fiscal second quarter of 2026 compared to the same period last year, we continued to grow GMV and revenue, while also growing our total of segment direct profits 18% and Adjusted EBITDA by 37%, resulting in our total Adjusted EBITDA as a percent of segment direct profits at 30% for the quarter. As we have commented before, our Rule of 40 is calculated as the growth in the sum of our segment direct profits and our Adjusted EBITDA as a percent of segment direct profits. On that basis, while our total fiscal year 2025 "Rule of 40" was 42% and our fiscal first quarter of 2026 was 46%, our fiscal second quarter of 2026 was 48%, showing continued performance against our long-term goal for balancing growth and profitability.

Our results reinforce how we can sustain long-term, profitable growth through the diversified markets we serve and a scalable model with profitability enhanced by operating leverage. Strong buyer demand, expanded participation, and disciplined execution continue to support our model designed for continuing profitable growth, creating compelling long term value. Our approach enables us to efficiently match assets and product flows with the right buyers at scale, improving engagement and enhancing the economics for all users of our platform and services.

With our strong year-over-year profitability growth in the fiscal second quarter, our trailing-twelve-month performance for Net Income and non GAAP Adjusted EBITDA surpassed $30 million and $70 million, respectively, with operating cash flow over the same period exceeding $86 million.

Our long-term effort to carefully select a diversified set of target-markets for sustainable growth and to invest in transformative tech-enabled services, leveraging scalable solutions, continues to pay off. The reliability and best-in-class performance for our sellers and buyers alike remains a pillar of strength, anchoring client relationships for over 25 years.

Our consolidated results for the second quarter of fiscal year 2026 included GMV of $389.9 million, up 6%, and revenue of $120.7 million, up 4%, while GAAP earnings per share were $0.23, up 5%. Non GAAP Adjusted earnings per share were $0.35, up 13%, and non GAAP Adjusted EBITDA was $16.7 million, up 37%.

GAAP EPS grew at a lower rate than non GAAP Adjusted EPS primarily due to the year-over-year increase in performance based stock compensation expense. Both GAAP EPS and non GAAP Adjusted EPS grew at a lower rate than Non GAAP Adjusted EBITDA, principally on the increase in income tax expense associated with the lower tax benefit from stock compensation. Our effective tax rate was slightly up this fiscal second quarter also partly due to the effect of equity comp.

We ended the fiscal second quarter of 2026 with $204 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 this fiscal second quarter we had $15 million remaining from our authorization to perform additional share repurchases.

Turning to segment performance, compared to the same quarter last year, our RSCG segment increased GMV by 10%, revenue by 1% due to the expected shift in mix compared to last year, and direct profit by 29% from a high volume of low-touch seller inflows in high demand and a variety of client programs during this seasonally-high fiscal second quarter for our Retail segment, as well as realized operating efficiencies.

Our GovDeals segment increased GMV 5%, revenue by 11%, and direct profit by 12%, reflecting continued growth in sellers and buyers, higher vehicle volumes, the effect of expansion of service offerings, and operational efficiencies resulting in a higher revenue to GMV ratio.

Our CAG segment increased GMV by 3%, revenue 12%, and direct profit also by 12%. Growth was broad based across the key industry verticals in North America we serve, supported by continued expansion of our recurring seller-base of heavy equipment assets. Our Capital Assets Group also continues to leverage global customer outreach resulting in a strong auction pipeline across key verticals targeted for their broader base growth potential.

Machinio & Software Solutions combined to increase revenue by 12% and direct profit by 10%, reflecting Machinio's expansion of its offering to marine dealers and Software Solutions' focus on expanding its recurring SaaS business.

We now enter what has traditionally been our seasonally high fiscal third quarter.
Our Guidance for the fiscal third quarter of 2026 anticipates year-over-year growth to continue and includes execution on the strong pipeline at CAG, including in energy, and continued high volume in our Retail segment, despite coming off its seasonal high fiscal second quarter, while expecting some mix shift in product flows sequentially. GovDeals is expected to continue to grow GMV as it enters its typical, seasonally high quarter and on-boards new clients. Our Machinio and Software Solutions businesses are expected to continue to grow as we expand service offerings and further develop recurring revenue streams.

On a consolidated basis, consignment GMV for the fiscal third quarter is expected in the low-to-mid eighties as a percentage of total GMV, with purchase GMV sequentially stable. Consolidated revenue as a percent of GMV is expected to be in the mid-to-high twenties, and total segment direct profit as a percent of consolidated revenue is expected to again be in the mid-to-high forty percentage range. These ratios can vary based on our overall business mix, including asset categories, in any given period.
Management's guidance for the third quarter of fiscal year 2026 is as follows:

- We expect GMV to range from $425 million to $465 million.

- We estimate non-GAAP Adjusted EBITDA to range from $17 million to $20 million.

- GAAP net income is expected in the range of $7 million to $10 million, with corresponding GAAP diluted earnings per share ranging from 21 cents to 30 cents per share.

- Non-GAAP adjusted diluted earnings per share is estimated in the range of 30 cents to 39 cents per share.

- Both GAAP and Non GAAP earnings per share are expected to reflect a higher effective tax rate approaching the mid-thirties for the fiscal third quarter of 2026. For Non GAAP earnings per share, the effect of non-GAAP adjustments is also reduced by an increase in our effective tax rate.

- The GAAP and non-GAAP Earnings Per Share guidance assumes that we have approximately 33 million fully diluted weighted average shares outstanding for the third quarter of fiscal year 2026.

- Capex is expected to remain consistent with recent levels of approximately $2 million per quarter.

Thank you and we will now take your questions.