

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2026

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 0-51813



LIQUIDITY SERVICES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

52-2209244

(I.R.S. Employer
Identification No.)

6931 Arlington Road, Suite 460, Bethesda, MD

(Address of Principal Executive Offices)

20814

(Zip Code)

(202) 467-6868

(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

Securities registered to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, \$0.001 par value	LQDT	Nasdaq

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the issuer's common stock, par value \$0.001 per share, as of August 3, 2026, was 31,331,618.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

**Liquidity Services, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Dollars in Thousands, Except Par Value)**

	<u>June 30, 2026</u>	<u>September 30, 2025</u>
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 219,751	\$ 174,607
Short-term investments	11,348	11,212
Accounts receivable, net of allowance for doubtful accounts of \$657 and \$777	12,470	11,176
Inventory, net	15,539	14,180
Prepaid taxes and tax refund receivable	1,212	1,757
Prepaid expenses and other current assets	11,180	11,857
Total current assets	271,500	224,789
Property and equipment, net	18,773	18,259
Operating lease assets	11,624	11,499
Intangible assets, net	11,022	13,340
Goodwill	102,794	102,875
Deferred tax assets	536	567
Other assets	3,843	3,772
Total assets	\$ 420,092	\$ 375,101
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 60,636	\$ 61,454
Accrued expenses and other current liabilities	29,597	30,575
Current portion of operating lease liabilities	4,502	5,071
Deferred revenue	4,849	5,093
Payables to sellers	72,244	59,432
Total current liabilities	171,828	161,625
Operating lease liabilities	9,093	8,723
Other long-term liabilities	3,319	1,511
Total liabilities	184,240	171,859
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Common stock, \$0.001 par value; 120,000,000 shares authorized; 38,025,125 shares issued and outstanding at June 30, 2026; 37,317,175 shares issued and outstanding at September 30, 2025	38	37
Additional paid-in capital	295,026	285,721
Treasury stock, at cost; 6,701,268 shares at June 30, 2026, and 6,640,580 shares at September 30, 2025	(111,635)	(110,002)
Accumulated other comprehensive loss	(11,140)	(10,640)
Retained earnings	63,563	38,126
Total stockholders' equity	235,852	203,242
Total liabilities and stockholders' equity	\$ 420,092	\$ 375,101

See accompanying notes to the unaudited condensed consolidated financial statements.

Liquidity Services, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Dollars in Thousands, Except Per Share Data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2026	2025	2026	2025
Purchase revenues	\$ 81,838	\$ 76,517	\$ 237,042	\$ 237,159
Consignment and other fee revenues	47,740	43,358	134,488	121,422
Total revenue	129,578	119,875	371,530	358,581
Costs and expenses from operations:				
Cost of goods sold (excludes depreciation and amortization)	65,742	65,110	194,790	206,220
Technology and operations	19,252	17,275	55,869	51,565
Sales and marketing	17,618	15,694	50,750	44,278
General and administrative	10,141	8,221	28,978	23,596
Depreciation and amortization	2,683	2,657	7,906	7,741
Other operating expenses	4	700	108	1,073
Total costs and expenses	115,440	109,657	338,401	334,473
Income from operations	14,138	10,218	33,129	24,108
Interest and other income, net	(1,360)	(1,077)	(3,558)	(3,083)
Income before provision for income taxes	15,498	11,295	36,687	27,191
Provision for income taxes	5,072	3,885	11,250	6,920
Net income	\$ 10,426	\$ 7,410	\$ 25,437	\$ 20,271
Basic income per common share	\$ 0.33	\$ 0.24	\$ 0.82	\$ 0.66
Diluted income per common share	\$ 0.32	\$ 0.23	\$ 0.78	\$ 0.63
Basic weighted average shares outstanding	31,240,396	31,157,183	30,976,586	30,935,882
Diluted weighted average shares outstanding	32,851,019	32,497,238	32,476,795	32,404,183

See accompanying notes to the unaudited condensed consolidated financial statements.

Liquidity Services, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(Dollars in Thousands)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2026	2025	2026	2025
Net income	\$ 10,426	\$ 7,410	\$ 25,437	\$ 20,271
Other comprehensive (loss) income:				
Foreign currency translation and other	\$ (592)	1,669	\$ (329)	267
Other comprehensive (loss) income, net of taxes	(592)	1,669	(329)	267
Comprehensive income	<u>\$ 9,834</u>	<u>\$ 9,079</u>	<u>\$ 25,108</u>	<u>\$ 20,538</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

Liquidity Services, Inc. and Subsidiaries
Condensed Consolidated Statement of Stockholders' Equity
(Dollars In Thousands)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount		Shares	Amount			
Balance at September 30, 2025	37,317,175	\$ 37	\$ 285,721	(6,640,580)	\$ (110,002)	\$ (10,640)	\$ 38,126	\$ 203,242
Net Income	—	—	—	—	—	—	7,489	7,489
Exercise of common stock options, grants of restricted stock awards, and vesting of restricted stock units	224,396	1	737	—	—	—	—	738
Taxes paid associated with net settlement of stock compensation awards	(40,301)	—	(1,168)	—	—	—	—	(1,168)
Common stock repurchase	—	—	—	(55,246)	(1,473)	—	—	(1,473)
Shares swapped to exercise stock options	—	—	67	(2,388)	(67)	—	—	—
Stock compensation expense	—	—	6,174	—	—	—	—	6,174
Foreign currency translation and other	—	—	—	—	—	263	—	263
Balance at December 31, 2025	37,501,270	\$ 38	\$ 291,531	(6,698,214)	\$ (111,542)	\$ (10,377)	\$ 45,615	\$ 215,265
Net income	—	—	—	—	—	—	7,522	7,522
Exercise of common stock options, grants of restricted stock awards, and vesting of restricted stock units	573,106	—	151	—	—	—	—	151
Taxes paid associated with net settlement of stock compensation awards	(149,559)	—	(4,588)	—	—	—	—	(4,588)
Common stock repurchase	—	—	—	(1,430)	(40)	—	—	(40)
Shares swapped to exercise stock options	—	—	36	(1,131)	(36)	—	—	—
Stock compensation expense	—	—	4,350	—	—	—	—	4,350
Forfeitures of restricted stock awards	(51,093)	—	—	—	—	—	—	—
Foreign currency translation	—	—	—	—	—	(592)	—	(592)
Balance at March 31, 2026	37,873,724	\$ 38	\$ 291,480	(6,700,775)	\$ (111,618)	\$ (10,969)	\$ 53,137	\$ 222,068
Net income	—	—	—	—	—	—	10,426	10,426
Exercise of common stock options, grants of restricted stock awards, and vesting of restricted stock units	214,743	—	486	—	—	—	—	486
Taxes paid associated with net settlement of stock compensation awards	(63,342)	—	(2,229)	—	—	—	—	(2,229)
Shares swapped to exercise stock options	—	—	17	(493)	(17)	—	—	—
Stock compensation expense	—	—	5,272	—	—	—	—	5,272
Foreign currency translation	—	—	—	—	—	(171)	—	(171)
Balance at June 30, 2026	38,025,125	\$ 38	\$ 295,026	(6,701,268)	\$ (111,635)	\$ (11,140)	\$ 63,563	\$ 235,852

See accompanying notes to the unaudited condensed consolidated financial statements.

Liquidity Services, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Dollars In Thousands)

	Nine Months Ended June 30,	
	2026	2025
Operating activities		
Net income	\$ 25,437	\$ 20,271
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,906	7,741
Stock compensation expense	15,796	9,522
Inventory adjustment to net realizable value	123	32
Provision for doubtful accounts	267	199
Deferred tax expense	1,887	1,872
Impairment of long-lived and other non-current assets	—	459
Gain on disposal of property and equipment	(2)	(19)
Changes in operating assets and liabilities:		
Accounts receivable	(1,330)	(8,599)
Inventory	(2,883)	2,124
Prepaid taxes and tax refund receivable	545	(1,881)
Prepaid expenses and other assets	469	885
Operating lease assets and liabilities	(371)	(283)
Accounts payable	610	(1,787)
Accrued expenses and other current liabilities	(930)	(2,733)
Deferred revenue	(244)	(62)
Payables to sellers	12,912	1,027
Other liabilities	(1)	—
Net cash provided by operating activities	60,191	28,768
Investing activities		
Cash paid for business acquisitions, net of cash acquired	—	(6,500)
Purchases of property and equipment, including capitalized software	(6,178)	(5,784)
Purchase of short-term investments	(8,791)	(16,217)
Maturities of short-term investments	8,309	7,417
Other investing activities, net	111	203
Net cash used in investing activities	(6,549)	(20,881)
Financing activities		
Common stock repurchases	(1,513)	(79)
Taxes paid associated with net settlement of stock compensation awards	(7,985)	(5,106)
Payments of the principal portion of finance lease liabilities	(82)	(75)
Proceeds from exercise of stock options, net of tax	1,106	192
Net cash used in financing activities	(8,474)	(5,068)
Effect of exchange rate differences on cash and cash equivalents	(24)	(440)
Net increase (decrease) in cash and cash equivalents	45,144	2,379
Cash and cash equivalents at beginning of period	174,607	153,226
Cash and cash equivalents at end of period	<u>\$ 219,751</u>	<u>\$ 155,605</u>
Supplemental disclosure of cash flow information		
Cash paid for income taxes, net	\$ 8,890	\$ 6,960
Non-cash: Common stock surrendered in the exercise of stock options	121	47
Non-cash: Acquisition consideration paid in common stock	—	945

See accompanying notes to the unaudited condensed consolidated financial statements.

Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements

1. Organization

Liquidity Services, Inc. (Liquidity Services, the Company) is the leading global provider of e-commerce marketplaces and software solutions powering the circular economy. We create a better future for organizations, individuals, and the planet by using technology to capture and unleash the intrinsic value of surplus. We connect millions of buyers and thousands of sellers through our leading e-commerce auction marketplaces, search engines, asset management and auction software, and related services. Our comprehensive solutions enable the transparent, efficient, sustainable recovery of value from excess items owned by business and government sellers.

Our business delivers value to shareholders by unleashing the intrinsic value of surplus through our online marketplace platforms. These platforms ignite and enable a self-reinforcing cycle of value creation where buyers and sellers attract one another in greater numbers. The result of this cycle is a continuous flow of goods that becomes increasingly valuable as more participants join the platforms, thereby creating positive network effects that benefit sellers, buyers, and shareholders.

Incorporated in Delaware as Liquidation.com in November 1999, Liquidity Services has over 25 years of industry experience.

Reportable Segments

The Company has five operating segments and three reportable segments under which we conduct business: GovDeals, Retail Supply Chain Group (RSCG), and Capital Assets Group (CAG). Our separate Machinio and Software Solutions operating segments, which do not individually meet the quantitative thresholds to be reportable segments, are combined and presented together as Machinio & Software Solutions for segment reporting purposes. Further information and operating results of our reportable segments can be found in Note 14 - *Segment Information*.

- *GovDeals*. The GovDeals reportable segment provides solutions that enable government entities including city, county, state and federal agencies located in the United States and Canada and related commercial businesses to sell surplus property and real estate assets through its GovDeals, Bid4Assets and Sierra marketplaces; see Note 3 - *Acquisitions*.
- *RSCG*. The RSCG reportable segment consists of marketplaces that enable corporations located in the United States and Canada to sell excess, returned, and overstocked consumer goods. RSCG also offers a suite of services that includes returns management, asset recovery, and e-commerce solutions. This segment uses multiple selling channels across our network of marketplaces and others to optimize the best combination of velocity, volume, and value. This segment primarily conducts its business-to-business sales on its Liquidation.com marketplace and through Direct Sales, and managed direct-to-consumer sales across a network of online sale channels, including Retail Rush, AllSurplus Deals, Secondipity and other online marketplaces.
- *CAG*. The CAG reportable segment enables commercial businesses to sell surplus assets on our AllSurplus and GovDeals marketplace, specializing in asset categories such as heavy equipment, industrial manufacturing, oil and gas, biopharma, fast-moving consumer goods and electronics. CAG also offers a suite of services that includes surplus management, asset valuation, asset sales and marketing. CAG clients benefit from its global base of buyers and sellers, enabling the sale and redeployment of assets wherever they generate the best value and highest use across the world.
- *Machinio & Software Solutions*. The Machinio operating segment operates the Machinio marketplace, a global search engine platform for listing equipment for sale in the construction, machine tool, processing, transportation, printing, agriculture, and laboratory/medical sectors, and the Machinio System platform that provides equipment sellers with a suite of software tools including website hosting, email marketing, and inventory management, to support and enable equipment sellers' online business. The Software Solutions operating segment separately serves as the Company's private-label auction and software-as-a-service (SaaS) arm, offering scalable auction platform services to entrepreneurs and businesses.

The Company's operations are subject to certain risks and uncertainties, many of which are associated with technology-oriented companies, including, but not limited to, the Company's dependence on use of the Internet; the effect of general business and economic trends including inflationary pressures and impacts from interest rate changes; tariffs and other trade barriers; ongoing international armed and geopolitical conflicts; susceptibility to rapid technological change; actual and potential competition by entities with greater financial and other resources; collectability of payment from our buyers; and the potential for the commercial sellers from which the Company derives a significant portion of its inventory to change the way they conduct their disposition of surplus assets or to otherwise terminate or not renew their contracts with the Company.

2. Summary of Significant Accounting Policies

Unaudited Interim Financial Information

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In management's opinion, all adjustments, consisting of normal, recurring adjustments considered necessary for a fair presentation, have been included, and intercompany transactions and accounts have been eliminated in consolidation. The information disclosed in the notes to the condensed consolidated financial statements for these periods is unaudited.

Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements - (Continued)

Operating results for the three and nine months ended June 30, 2026, are not necessarily indicative of the results that may be expected for the year ending September 30, 2026, or for any future period.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect amounts in the condensed consolidated financial statements and accompanying notes. For the three and nine months ended June 30, 2026, these estimates required the Company to make assumptions about disruptions to macroeconomic conditions such as the impact of ongoing international armed and geopolitical conflicts, tariffs, global trade, market volatility and uncertainty and, in turn, the Company's results of operations. The Company will continue to update its assumptions as conditions change. Actual results could differ significantly from those estimates.

Contract Assets and Liabilities

Contract assets reflect an estimate of expenses that will be reimbursed upon settlement with a seller. The contract asset balance was \$2.2 million as of June 30, 2026, and \$1.3 million as of September 30, 2025, and is included in the line-item Prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets.

Contract liabilities reflect obligations to provide services for which the Company has already received consideration and generally arise from up-front payments received in connection with our Machinio and Software Solutions subscription services. The contract liability balance was \$4.8 million as of June 30, 2026, and \$5.1 million as of September 30, 2025, and is included in the line-item Deferred revenue on the Condensed Consolidated Balance Sheets. Of the September 30, 2025, contract liability balance, \$5.0 million was earned as other fee revenue during the nine months ended June 30, 2026.

For the Company's Machinio & Software Solutions segment, the performance obligation has been identified as the stand ready obligation to provide access to subscription services offered by our Machinio and Software Solutions businesses, which are satisfied over time and recognized as other fee revenues in the line-item Consignment and other fee revenues on the Condensed Consolidated Statements of Operations. As of June 30, 2026, the Company had a remaining performance obligation of \$4.8 million; the Company expects to recognize the substantial majority of that amount as other fee revenues over the next 12 months.

Contract Costs

Contract costs relate to sales commissions paid on subscription contracts that are capitalized within our Machinio and Software Solutions businesses. Contract costs are amortized on a straight-line basis over the expected life of the customer contract. The contract cost balance was \$2.4 million as of June 30, 2026, and \$2.3 million as of September 30, 2025, and is included in the line-item Prepaid expenses and other current assets, and Other assets on the Condensed Consolidated Balance Sheets. Amortization expense was \$0.4 million and \$0.4 million during the three months ended June 30, 2026 and 2025, respectively, and \$1.2 million and \$1.2 million during the nine months ended June 30, 2026, and 2025, respectively.

Risk Associated with Certain Concentrations

For the majority of buyers that receive goods before payment to the Company is made, credit evaluations are performed; however, for the remaining buyers, goods are not shipped before payment is made, and as a result the Company is not subject to significant collection risk from those buyers. However, for a limited number of financially qualified buyers, which can include re-sellers, we may from time-to-time extend credit for certain large purchases with negotiated payment periods. Credit terms commonly require payment to be made within 30 days, but where commercial terms or market conditions warrant these payment terms may be extended for up to six months. As a result, our consolidated accounts receivable balances are typically a small component of our overall financial position but may, at times, be concentrated among a limited, small number of such buyers. Collection risk from and credit exposure to these financially qualified buyers is regularly reviewed by management and adjusted as needed.

For consignment sales transactions, funds are typically collected from buyers and are held by the Company on the sellers' behalf. The funds are included in Cash and cash equivalents on the Condensed Consolidated Balance Sheets. The Company releases the funds to the seller, less the Company's commission and other fees due, through Accounts payable after the buyer has accepted the goods or within 30 days, depending on the state where the buyer and seller conduct business.

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash in banks within non-interest bearing, interest-bearing, and earnings allowance checking accounts, as well as cash equivalent money market funds, all of which exceed the applicable U.S. federal (FDIC and/or SIPC), local jurisdiction (foreign banking institutions) insurance limits, and Accounts receivable.

The Company deposits its cash in interest bearing checking accounts, acquires cash equivalent money market funds, and holds short-term investments designated as held-to-maturity investment securities, each with financial institutions that the Company considers to be of high credit quality. Management continually monitors the financial institutions with whom we conduct business and responds appropriately, when necessary, to manage potential risk exposure to our cash balances above the insurance limits.

Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements - (Continued)

The Company has multiple vendor contracts with Amazon.com, Inc. under which it acquires and sells commercial merchandise. While purchase model transactions account for less than 20% of our total GMV, the cost of inventory for purchase model transactions is the most significant component of our consolidated Costs of goods sold. \$11.1 million and \$10.1 million of inventory purchased under such contracts with Amazon.com, Inc. is included in our Inventory balances on our Condensed Consolidated Balance Sheets as of June 30, 2026, and September 30, 2025, respectively. The Company's vendor contracts with respect to sourcing or consigning merchandise for our RSCG segment generally reflect the concentration dynamics inherent to the retail industry.

Recent Accounting Pronouncements

Accounting Standards Adopted

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. It will require organizations to provide enhanced disclosures primarily regarding significant segment expenses. The Company adopted the new standard effective with our Annual Report on Form 10-K for the fiscal year ended September 30, 2025. In accordance with the ASU, we have disclosed on a retrospective basis the significant expense, by segment, in deriving our segment profit (loss) measure; see Note 14 - *Segment Information* for further information.

Accounting Standards Not Yet Adopted

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU will require organizations to disclose specific categories in their tax rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. The guidance will be effective for the Company beginning with its Annual Report on Form 10-K for the fiscal year ending September 30, 2026. The guidance is required to be applied on a prospective basis; however, retrospective application is permitted. The Company expects to adopt this ASU on a prospective basis and while the adoption is not expected to have an impact on the Company's consolidated financial position, results of operations, or cash flows, it is expected to result in expanded income tax disclosures.

In November 2024, the FASB issued ASU 2024-03, *Income Statement-Reporting Comprehensive Income (Topic 220): Disaggregation of Income Statement Expenses*. This ASU will require organizations to disaggregate certain expense captions an entity presents on the face of the income statement into specific categories in disclosures within the footnotes to the financial statements. This guidance will be effective for the Company beginning with its Annual Report on Form 10-K for the fiscal year ending September 30, 2028. The guidance is required to be applied on a prospective basis; however, retrospective application is permitted. The Company is currently evaluating the effect that the adoption of this ASU may have on its consolidated financial statements.

In September 2025, the FASB issued ASU 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*. This ASU modernizes the accounting for internal-use software, removing all references to software development stages and instead, requires capitalization of software costs when management has committed to the software project and it is probable the software will be completed and perform its intended use. This guidance will be effective for the Company beginning with its Annual Report on Form 10-K for the fiscal year ended September 30, 2029. Early adoption is permitted. The Company is currently evaluating the effect that the adoption of this ASU may have on its consolidated financial statements.

3. Acquisitions

Auction Software

On January 31, 2025, the Company acquired Auction Software, a private-label marketplace and SaaS solutions provider offering scalable auction platform services to entrepreneurs and businesses, for \$6.5 million in cash paid and \$0.9 million in stock issuance at closing, for a total purchase price of \$7.4 million. During the three months ended June 30, 2025, the Company recorded a measurement period adjustment of \$0.3 million for the acquired intangible assets' fair value with a corresponding increase to goodwill. In connection with its acquisition of Auction Software, the Company allocated the fair value to acquired intangible assets totaling \$2.6 million, and goodwill of \$5.1 million. The total goodwill arising from the acquisition is included in the Software Solutions operating segment and is deductible for tax purposes. Auction Software's financial results are reported within the Software Solutions operating segment.

4. Earnings per Share

The Company calculates basic EPS by dividing net income by the weighted-average number of common shares outstanding during the reporting period, excluding unvested restricted stock awards.

The Company calculates diluted EPS by dividing net income by the weighted-average number of common shares and potentially dilutive common shares outstanding during the reporting period using the treasury stock method.

Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements - (Continued)

The Company's potentially dilutive common shares include stock options, restricted stock units, and restricted stock awards. For such awards that have performance- or market-conditions, they are considered dilutive only when those performance- or market-conditions have been satisfied as of the reporting date; however, in periods of a net loss, the Company's diluted EPS will equal its basic EPS, as all its potential common shares are anti-dilutive in that case. In periods of net income, the calculation of diluted net income per share will exclude all anti-dilutive common shares.

The computation of basic and diluted net income per share is as follows:

	Three months ended June 30,		Nine Months Ended June 30,	
	2026	2025	2026	2025
Numerator:				
Net income	\$ 10,426	\$ 7,410	\$ 25,437	\$ 20,271
Denominator:				
Basic weighted average shares outstanding	31,240,396	31,157,183	30,976,586	30,935,882
Dilutive impact of stock options, RSUs and RSAs	1,610,623	1,340,055	1,500,209	1,468,301
Diluted weighted average shares outstanding	32,851,019	32,497,238	32,476,795	32,404,183
Basic income per common share	\$ 0.33	\$ 0.24	\$ 0.82	\$ 0.66
Diluted income per common share	\$ 0.32	\$ 0.23	\$ 0.78	\$ 0.63
Stock options, RSUs and RSAs excluded from income per diluted share because their effect would have been anti-dilutive	72,202	864,236	245,719	861,596

5. Leases

The Company has operating leases for its corporate offices, warehouses, vehicles, and equipment.

The operating leases have remaining terms of up to 4.8 years. Some of the leases have options to extend or terminate the leases. The exercise of such options is generally at the Company's discretion. The lease agreements do not contain any significant residual value guarantees or restrictive covenants. The Company also subleases excess office and warehouse space, when applicable. The Company's finance leases and related balances are not significant.

The components of lease expense are:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2026	2025	2026	2025
Finance lease – lease asset amortization	\$ 18	\$ 18	\$ 55	\$ 50
Finance lease – interest on lease liabilities	3	5	12	15
Operating lease cost	1,269	1,563	3,856	4,494
Operating lease impairment expense ⁽¹⁾	—	459	—	459
Short-term lease cost	239	93	750	328
Variable lease cost ⁽¹⁾	441	432	1,342	964
Sublease income	(162)	(39)	(486)	(39)
Total net lease cost	\$ 1,808	\$ 2,531	\$ 5,529	\$ 6,271

⁽¹⁾ Variable lease costs primarily relate to the Company's election to combine non-lease components such as common area maintenance, insurance and taxes related to its real estate leases. To a lesser extent, the Company's equipment leases have variable costs associated with usage and subsequent changes to costs based upon an index.

Maturities of lease liabilities are:

	June 30, 2026	
	Operating Leases	Finance Leases
Remainder of 2026	\$ 1,484	\$ 29
2027	4,609	73
2028	3,729	51
2029	2,912	47
2030	1,719	50
Thereafter	478	30
Total lease payments ⁽¹⁾	\$ 14,931	\$ 280
Less: imputed interest ⁽²⁾	(1,338)	(32)
Total lease liabilities	\$ 13,593	\$ 248

⁽¹⁾ The weighted average remaining lease term is 3.4 years for operating leases and 4.0 years for finance leases.

⁽²⁾ The weighted average discount rate is 5.7% for operating leases and 5.9% for finance leases.

Supplemental disclosures of cash flow information related to leases are:

Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements - (Continued)

	Nine Months Ended June 30,			
	2026		2025	
Cash paid for amounts included in operating lease liabilities	\$	4,233	\$	4,295
Cash paid for amounts included in finance lease liabilities	\$	82	\$	75
Non-cash: lease liabilities arising from new operating lease assets obtained	\$	2,964	\$	1,251
Non-cash: lease liabilities arising from new finance lease assets obtained	\$	—	\$	240
Non-cash: adjustments to lease assets and liabilities ⁽¹⁾	\$	1,068	\$	2,987

⁽¹⁾ These include adjustments due to lease modifications, renewals, and other related adjustments.

The increase in adjustments to operating lease assets and liabilities during the nine months ended June 30, 2026, is primarily due to execution of a new warehouse lease in Garland, Texas associated with our RSCG reportable segment, and the Company's renewal of an existing auction staging lot lease in Tucson, Arizona associated with our GovDeals reportable segment.

6. Goodwill

The carrying value and changes in the carrying value of goodwill attributable to each reportable segment were as follows:

(in thousands)	GovDeals	CAG	Machinio & Software Solutions	Total
September 30, 2024	\$ 61,683	\$ 21,551	\$ 14,558	\$ 97,792
Auction Software acquisition (see Note 3)	—	—	5,066	5,066
Translation adjustments	—	17	—	17
September 30, 2025	61,683	21,568	19,624	102,875
Translation adjustments	—	(81)	—	(81)
June 30, 2026	\$ 61,683	\$ 21,487	\$ 19,624	\$ 102,794

The increase in the goodwill balance of approximately \$5.1 million at the Software Solutions business during the fiscal year ended September 30, 2025, was due to the Auction Software acquisition; see Note 3 - *Acquisitions* for further information. Our RSCG reportable segment does not maintain a goodwill balance as of June 30, 2026.

Goodwill is tested for impairment at the beginning of the fourth quarter and during interim periods whenever events or circumstances indicate that the carrying value may not be recoverable. The Company did not identify any indicators of impairment that required an interim goodwill impairment test during the three and nine months ended June 30, 2026.

7. Intangible Assets

Intangible assets consist of the following:

(in thousands)	Useful Life (in years)	June 30, 2026			September 30, 2025		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer and supplier relationships	6 - 8	\$ 23,600	\$ (13,599)	\$ 10,001	\$ 23,600	\$ (11,518)	\$ 12,082
Technology	3 - 5	5,800	(5,155)	645	5,800	(5,020)	780
Trade names	3 - 7	2,412	(2,202)	210	2,412	(2,100)	312
Other intangibles	10	980	(814)	166	949	(784)	165
Total intangible assets, net		\$ 32,792	\$ (21,770)	\$ 11,022	\$ 32,761	\$ (19,421)	\$ 13,340

Future expected amortization of intangible assets as of June 30, 2026, is as follows:

(in thousands)	Expected Future Amortization
Years ending September 30,	
Remainder of 2026	\$ 783
2027	3,051
2028	3,015
2029	3,011
2030 and thereafter	1,162
Total	\$ 11,022

Intangible asset amortization expense was \$0.8 million and \$0.8 million for the three months ended June 30, 2026 and 2025, respectively, and \$2.3 million and \$2.5 million for the nine months ended June 30, 2026, and 2025, respectively.

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Notes to the Unaudited Condensed Consolidated Financial Statements - (Continued)

The Company did not record impairment charges on any intangible assets during the three and nine months ended June 30, 2026 and 2025. The Company did not identify any indicators of impairment requiring an interim impairment test on material long-lived assets during the three and nine months ended June 30, 2026.

8. Income Taxes

The Company's interim effective income tax rate is based on management's best current estimate of the Company's expected annual effective income tax rate. The Company recorded pre-tax income in the first nine months of fiscal year 2026 and its corresponding effective tax rate is 30.7% compared to 25.4% for the first nine months of fiscal year 2025. The change in the effective tax rate for the nine months ended June 30, 2026, as compared to the same period in the prior year, was primarily due to a decrease in tax benefits from stock compensation. Additionally, nondeductible tax adjustments increased during fiscal year 2026 further increasing the effective tax rate. The effective tax rate differed from the U.S. statutory federal rate of 21% primarily as a result of the impact of foreign, state, and local income taxes and nondeductible expenses.

On July 4th, 2025, the One Big Beautiful Bill Act (OBBBA) was signed into law in the U.S., which contains a broad range of tax reform provisions affecting businesses. The OBBBA allows 100% bonus depreciation for property acquired and placed in service on or after January 19, 2025, and permits companies to expense, rather than amortize over a five-year period, domestic research and development costs paid or incurred in tax years beginning after December 31, 2024. This rule is effective for the Company beginning with its tax return for the fiscal year ending September 30, 2026. We have evaluated the effects of the legislation on our effective tax rate and cash tax position and the impact to our financial statements is not material.

The Company applies the authoritative guidance related to uncertainty in income taxes. ASC 740, *Income Taxes*, states that a benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolution of any related appeals or litigation processes, on the basis of technical merits. During the nine months ended June 30, 2026, the Company did not record any unrecognized tax benefits. The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, various state and local jurisdictions and in foreign jurisdictions, primarily Canada and the United Kingdom. As of June 30, 2026, the Company has no open income tax examinations in the U.S. and the statute of limitations for years prior to 2022 is now closed. However, certain tax attribute carryforwards that were generated prior to fiscal year 2022 may be adjusted upon examination by tax authorities if they are utilized.

9. Debt

The Company maintains a \$35.0 million revolving credit facility with Wells Fargo Bank, National Association (the Credit Agreement). During the three months ended June 30, 2026, the Credit Agreement was amended to extend the maturity date by 12 months to March 31, 2028 (the Fourth Amendment). No other changes, including regarding the borrowing terms or capacities, were made to the Credit Agreement.

The applicable interest rate on any draws under the Credit Agreement is a variable rate per annum equal to the Daily Simple Secured Overnight Financing Rate (SOFR) in effect plus a margin ranging from 1.25% to 1.75%. Interest is payable monthly. The Company pays an Unused Commitment Fee (as defined in the Credit Agreement), on a quarterly basis, equal to 0.05% per annum on the daily amount of the available, but unused, balance on the Credit Agreement. The Company also pays a Line of Credit Fee (as defined in the Credit Agreement), on a quarterly basis, equal to 1.25% on the daily amount available to be drawn for standby letters of credit. Interest incurred on any draws under the Credit Agreement, as well as the Unused Commitment Fee and Line of Credit Fee, are included within Interest and other income, net in the Consolidated Statements of Operations.

The Company may draw upon the Credit Agreement for general corporate purposes. Repayments of any borrowings under the Credit Agreement shall become available for redraw at any time by the Company.

The Credit Agreement contains certain financial and non-financial restrictive covenants including, among others, the requirement to maintain a minimum level of earnings before interest, income taxes, depreciation and amortization (EBITDA). The Credit Agreement contains affirmative and restrictive covenants including covenants placing limitations on mergers, consolidations and dissolutions, investments and acquisitions, indebtedness and liens, and dividends and other restricted payments. As of June 30, 2026, the Company was in full compliance with the terms and conditions of the Credit Agreement.

During the three and nine months ended June 30, 2026, the Company did not make any draws under the Line of Credit, had no outstanding borrowings under the Line of Credit and had \$11.3 million of standby letters of credit outstanding. The amount of standby letters of credit are reserved against the Line of Credit and are not available for borrowing, resulting in \$23.7 million of remaining borrowing capacity under the Line of Credit as of June 30, 2026.

During the three and nine months ended June 30, 2026, and 2025, interest expense incurred by the Company under the Credit Agreement was immaterial to the condensed consolidated financial statements.

Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements - (Continued)

10. Stockholders' Equity

The changes in stockholders' equity for the prior year comparable period are as follows:

	Common Stock		Additional	Treasury Stock		Accumulated	Retained	Total
	Shares	Amount	Paid-in Capital	Shares	Amount	Other Comprehensive Loss	Earnings	
Balance at September 30, 2024	36,707,840	\$ 37	\$ 275,771	(6,015,496)	\$ (93,854)	\$ (9,427)	\$ 10,033	\$ 182,560
Net income	—	—	—	—	—	—	5,810	5,810
Exercise of stock options, grants of restricted stock awards, and vesting of restricted stock units	138,838	—	114	—	—	—	—	114
Taxes paid associated with net settlement of stock compensation awards	(30,575)	—	(883)	—	—	—	—	(883)
Forfeitures of restricted stock awards	(22,500)	—	—	—	—	—	—	—
Shares swapped to exercise stock options	—	—	19	(582)	(19)	—	—	—
Stock compensation expense	—	—	3,431	—	—	—	—	3,431
Foreign currency translation and other	—	—	—	—	—	(1,871)	—	(1,871)
Balance at December 31, 2024	36,793,603	\$ 37	\$ 278,452	(6,016,078)	\$ (93,873)	\$ (11,298)	\$ 15,843	\$ 189,161
Net income	—	—	—	—	—	—	7,051	7,051
Exercise of common stock options, grants of restricted stock awards, and vesting of restricted stock units	522,121	—	78	—	—	—	—	78
Taxes paid associated with net settlement of stock compensation awards	(119,819)	—	(3,957)	—	—	—	—	(3,957)
Acquisition consideration paid in common stock (Note 3)	27,260	—	945	—	—	—	—	945
Shares swapped to exercise stock options	—	—	28	(815)	(28)	—	—	—
Stock compensation expense	—	—	2,578	—	—	—	—	2,578
Foreign currency translation	—	—	—	—	—	469	—	469
Balance at March 31, 2025	37,223,165	\$ 37	\$ 278,124	(6,016,893)	\$ (93,901)	\$ (10,829)	\$ 22,894	\$ 196,325
Net income	—	—	—	—	—	—	7,410	7,410
Exercise of common stock options, grants of restricted stock awards, and vesting of restricted stock units	34,554	—	—	—	—	—	—	—
Taxes paid associated with net settlement of stock compensation awards	(9,442)	—	(266)	—	—	—	—	(266)
Stock compensation expense	—	—	3,512	—	—	—	—	3,512
Foreign currency translation	—	—	—	—	—	1,669	—	1,669
Balance at June 30, 2025	37,248,277	\$ 37	\$ 281,370	(6,016,893)	\$ (93,901)	\$ (9,160)	\$ 30,304	\$ 208,650

Stock Compensation Incentive Plans

The Company has several incentive plans under which stock options, restricted stock units (RSUs), restricted stock awards (RSAs), and cash-settled stock appreciation rights (SARs) have been issued, including the Third Amended and Restated 2006 Omnibus Long-Term Incentive Plan (as amended, the LTIP) and a plan and private placement issuances related to the Company's acquisition of Machinio and Bid4Assets. During the nine months ended June 30, 2026, the Company's shareholders approved an amendment to the LTIP to increase the authorized number of shares of common stock under the LTIP from 22,800,000 to 25,725,000. Vesting of RSUs and grants of RSAs count as 1.5x shares against the plan reserves. As of June 30, 2026, 3,356,172 shares of common stock remained available for use.

Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements - (Continued)

Stock Compensation Expense

The table below presents the components of share-based compensation expense (in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2026	2025	2026	2025
Equity-classified awards:				
Stock options	\$ 853	\$ 563	\$ 2,579	\$ 1,595
RSUs & RSAs	4,419	2,949	13,217	7,927
Total Equity-classified awards	\$ 5,272	\$ 3,512	\$ 15,796	\$ 9,522

The table below presents the components of share-based compensation expense by line-item within our Condensed Consolidated Statements of Operations (in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2026	2025	2026	2025
Stock compensation expense by function				
Technology and operations	\$ 826	\$ 581	\$ 2,449	\$ 1,559
Sales and marketing	1,602	1,142	4,935	3,016
General and administrative	2,844	1,789	8,412	4,947
Total stock compensation expense:	\$ 5,272	\$ 3,512	\$ 15,796	\$ 9,522

Stock Options and RSUs & RSAs

The following table presents stock option and RSUs & RSAs grant activity:

	Nine Months Ended June 30, 2026
Stock Options granted:	
Options containing only service conditions:	167,800
Weighted average exercise price	\$ 24.52
Weighted average grant date fair value	\$ 10.44
Options containing performance conditions:	167,800
Weighted average exercise price	\$ 24.52
Weighted average grant date fair value	\$ 10.44
RSUs & RSAs granted:	
RSUs & RSAs containing only service conditions:	356,650
Weighted average grant date fair value	\$ 27.21
RSUs & RSAs containing performance conditions:	307,800
Weighted average grant date fair value	\$ 26.58

The stock options and RSUs & RSAs containing only service conditions will vest over a one- to four-year service period. The stock options and RSUs & RSAs containing performance conditions will vest upon the achievement of specified financial targets of the Company, a segment, or a division of a segment and vests on the first day of each fiscal quarter over one- to four-year terms of the awards, starting with the first fiscal quarter after the first anniversary of the grant date.

The range of assumptions used to determine the fair value of stock options using the Black-Scholes option-pricing model during the nine months ended June 30, 2026, were as follows:

	Nine Months Ended June 30, 2026
Dividend yield	—
Expected volatility	45.93% - 53.51%
Risk-free interest rate	3.64% - 3.67%
Expected term	4.41 - 5.0 years

Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements - (Continued)

Share Repurchase Program

From time to time, we may be authorized to repurchase issued and outstanding shares of our common stock under a share repurchase program approved by our Board of Directors. Share repurchases may be made through open-market purchases, privately negotiated transactions, or otherwise, at times and in such amounts as management deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements and other market conditions. The repurchase program may be discontinued or suspended at any time and will be funded using our available cash.

As of September 30, 2025, the Company had \$1.5 million of remaining authorization to repurchase shares through December 31, 2026. On November 17, 2025, the Company's Board of Directors authorized the repurchase of up to an additional \$15.0 million of the Company's outstanding shares of common stock through December 31, 2027.

The Company made no repurchases during the three months ended June 30, 2026. The Company repurchased 56,676 shares for \$1.5 million during the nine months ended June 30, 2026. As of June 30, 2026, the Company had \$15.0 million of remaining authorization to repurchase shares through December 31, 2027.

Other Share Repurchases

Separate from the share repurchase program, our stock incentive plans allow for participants to exercise stock options by surrendering shares of common stock equivalent in value to the exercise price due. Any shares surrendered to the Company in this manner are not available for future grant.

During the nine months ended June 30, 2026, and 2025, participants surrendered 4,012 and 1,397 shares of common stock in connection with the exercise of stock options, respectively.

11. Fair Value Measurement

The Company measures and records certain assets and liabilities at fair value on a recurring basis. Authoritative guidance issued by the FASB establishes a fair value hierarchy for those instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and the Company's assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability.

Cash and cash equivalents. The Company had \$132.8 million and \$79.3 million of money market funds considered cash equivalents at June 30, 2026 and September 30, 2025, respectively. These assets were measured at fair value as of June 30, 2026 and September 30, 2025, and were classified as Level 1 assets within the fair value hierarchy. There were no transfers between levels during the periods presented.

Short-term investments. The Company had \$11.3 million and \$11.2 million of guaranteed investment certificates considered investments as of June 30, 2026 and September 30, 2025, respectively. As these investments have maturity dates of 12 months or less from the balance sheet date, they have been classified as short-term in nature. These assets were measured at fair value as of June 30, 2026 and September 30, 2025, and were classified as Level 1 assets within the fair value hierarchy. There were no transfers between levels during the periods presented.

Other Current Assets and Liabilities. The Company did not have any foreign exchange derivative instruments, classified as Level 2 assets within the fair value hierarchy, as of June 30, 2026. The Company had a short-term foreign exchange derivative instrument that had an immaterial fair value as of September 30, 2025, using Level 2 in the fair value hierarchy.

The Company's financial assets and liabilities not measured at fair value are cash, short-term investments, accounts receivable, accounts payable, and payables to sellers. The Company believes the carrying values of these instruments approximate fair value.

As of June 30, 2026 and September 30, 2025, the Company did not have any material assets or liabilities measured at fair value on a non-recurring basis.

12. Defined Benefit Pension Plan

Certain employees of Liquidity Services UK Limited (GoIndustry), which the Company acquired in July 2012, are covered by the Henry Butcher Pension Fund and Life Assurance Scheme (the Scheme), a qualified defined benefit pension plan. The Company guarantees GoIndustry's performance on all present and future obligations to make payments to the Scheme for up to a maximum of £10 million British pounds. The Scheme was closed to new members on January 1, 2002.

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Notes to the Unaudited Condensed Consolidated Financial Statements - (Continued)

The net periodic pension cost (benefit) is recognized within Interest and other income, net in the Condensed Consolidated Statements of Operations, and was \$0.1 million and \$0.1 million during the three months ended June 30, 2026 and 2025, and \$0.2 million and \$0.1 million during the nine months ended June 30, 2026 and 2025, respectively.

13. Legal Proceedings and Other Contingencies

The Company reserves for contingent liabilities based on ASC 450, *Contingencies*, when it determines that a liability is probable and reasonably estimable. From time to time, the Company may become involved in litigation relating to claims arising in the ordinary course of the business; however, unless otherwise noted, there are no claims or actions pending or threatened against the Company that, if adversely determined, would in the Company's management's judgment have a material adverse effect on the Company.

Former Employee Matters

On December 28, 2022, the Company's former Chief Marketing Officer (the "Former CMO") filed a complaint (the "Original Complaint") in the United States District Court for the District of Maryland, alleging that his termination constituted race and age discrimination and that the Company retaliated against him. The Former CMO subsequently voluntarily dismissed his age discrimination claims. In July 2026, following a jury trial on the race discrimination and retaliation claims, the jury returned a unanimous verdict in favor of the Company. The court subsequently entered judgment in favor of the Company. The period for post-trial motions or an appeal has not yet expired.

14. Segment Information

The Company has five operating segments and three reportable segments under which we conduct business: GovDeals, Retail Supply Chain Group (RSCG), and Capital Assets Group (CAG). Our separate Machinio and Software Solutions operating segments, which do not individually meet the quantitative thresholds to be reportable segments, are combined and presented together as Machinio & Software Solutions for segment reporting purposes.

- **GovDeals.** The GovDeals reportable segment provides solutions that enable government entities including city, county, state and federal agencies located in the United States and Canada and related commercial businesses to sell surplus property and real estate assets through its GovDeals, Bid4Assets and Sierra marketplaces; see Note 3 - *Acquisitions*.
- **RSCG.** The RSCG reportable segment consists of marketplaces that enable corporations located in the United States and Canada to sell excess, returned, and overstocked consumer goods. RSCG also offers a suite of services that includes returns management, asset recovery, and e-commerce solutions. This segment uses multiple selling channels across our network of marketplaces and others to optimize the best combination of velocity, volume, and value. This segment primarily conducts its business-to-business sales on its Liquidation.com marketplace and through Direct Sales, and managed direct-to-consumer sales across a network of online sale channels, including Retail Rush, AllSurplus Deals, Secondipity and other online marketplaces.
- **CAG.** The CAG reportable segment enables commercial businesses to sell surplus assets on our AllSurplus and GovDeals marketplace, specializing in asset categories such as heavy equipment, industrial manufacturing, oil and gas, biopharma, fast-moving consumer goods and electronics. CAG also offers a suite of services that includes surplus management, asset valuation, asset sales and marketing. CAG clients benefit from its global base of buyers and sellers, enabling the sale and redeployment of assets wherever they generate the best value and highest use across the world.
- **Machinio & Software Solutions.** The Machinio operating segment operates the Machinio marketplace, a global search engine platform for listing equipment for sale in the construction, machine tool, processing, transportation, printing, agriculture, and laboratory/medical sectors, and the Machinio System platform that provides equipment sellers with a suite of software tools including website hosting, email marketing, and inventory management, to support and enable equipment sellers' online business. The Software Solutions operating segment separately serves as the Company's private-label auction and software-as-a-service (SaaS) arm, offering scalable auction platform services to entrepreneurs and businesses.

Decisions concerning the allocation of the Company's resources are made by the Company's Chief Operating Decision Maker (CODM), which is the Company's Chief Executive Officer, with oversight by the Board of Directors. The Company reports reportable segment information based on the internal performance measures used by the CODM to assess the performance of each operating segment in a given period. In connection with that assessment, the CODM uses segment direct profit to evaluate the performance of each segment. Segment direct profit is calculated as total revenue less cost of goods sold (excludes depreciation and amortization).

The following table sets forth certain financial information for the Company's reportable segments:

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(in thousands)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2026	2025	2026	2025
GovDeals:				
Purchase revenue	\$ 176	\$ 120	\$ 178	\$ 684
Consignment and other fee revenues	25,348	23,846	68,904	63,041
Total revenue	25,524	23,966	69,082	63,725
Cost of goods sold (excludes depreciation and amortization)	1,361	1,806	3,861	5,037
Segment direct profit	<u>\$ 24,163</u>	<u>\$ 22,160</u>	<u>\$ 65,221</u>	<u>\$ 58,688</u>
RSCG:				
Purchase revenue	\$ 80,365	\$ 75,269	\$ 230,320	\$ 232,405
Consignment and other fee revenues	7,455	6,275	22,720	19,512
Total revenue	87,820	81,544	253,040	251,917
Cost of goods sold (excludes depreciation and amortization)	62,663	62,173	185,057	197,483
Segment direct profit	<u>\$ 25,157</u>	<u>\$ 19,371</u>	<u>\$ 67,983</u>	<u>\$ 54,434</u>
CAG:				
Purchase revenue	\$ 1,296	\$ 1,128	\$ 6,544	\$ 4,070
Consignment and other fee revenues	9,498	8,033	26,510	24,533
Total revenue	10,794	9,161	33,054	28,604
Cost of goods sold (excludes depreciation and amortization)	1,234	701	4,461	2,695
Segment direct profit	<u>\$ 9,560</u>	<u>\$ 8,460</u>	<u>\$ 28,593</u>	<u>\$ 25,909</u>
Machinio & Software Solutions:				
Purchase revenue	\$ —	\$ —	\$ —	\$ —
Consignment and other fee revenues	5,440	5,221	16,354	14,386
Total revenue	5,440	5,221	16,354	14,386
Cost of goods sold (excludes depreciation and amortization)	484	431	1,411	1,006
Segment direct profit	<u>\$ 4,956</u>	<u>\$ 4,790</u>	<u>\$ 14,943</u>	<u>\$ 13,380</u>
Total segment direct profit	\$ 63,836	\$ 54,781	\$ 176,740	\$ 152,411
Corporate expenses, including elimination adjustments	\$ —	\$ (17)	\$ —	\$ (51)
Consolidated direct profit	<u>\$ 63,836</u>	<u>\$ 54,764</u>	<u>\$ 176,740</u>	<u>\$ 152,360</u>

The following table reconciles segment direct profit used in the reportable segments to the Company's consolidated results:

(in thousands)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2026	2025	2026	2025
Reconciliation:				
Total segment direct profit	\$ 63,836	\$ 54,764	\$ 176,740	\$ 152,360
Other costs and expenses from operations ⁽¹⁾	\$ 49,694	43,846	143,503	127,180
Interest and other income, net	\$ (1,356)	(377)	(3,450)	(2,011)
Income before provision for income taxes	<u>\$ 15,498</u>	<u>\$ 11,295</u>	<u>\$ 36,687</u>	<u>\$ 27,191</u>

⁽¹⁾ Other costs and expenses from operations is defined as Total costs and expenses from operations per the Condensed Consolidated Statements of Operations, less Cost of goods sold (which is included in the calculation of Segment direct profit).

The percent of our revenues that came from transactions conducted outside of the United States for the three months ended June 30, 2026 and 2025, was 9.7% and 8.6% respectively. The percent of our revenues that came from transactions conducted outside of the United States for the nine months ended June 30, 2026 and 2025 was 10.1% and 9.0%, respectively.

Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements - (Continued)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

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 fiscal year ended September 30, 2025, and Part II Item 1A of this Quarterly Report on Form 10-Q, and subsequent filings with the Securities and Exchange Commission (SEC). 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.

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and related notes and the information contained elsewhere in this document.

Overview

About us. Liquidity Services is the leading global provider of e-commerce marketplaces and software solutions powering the circular economy. We create a better future for organizations, individuals, and the planet by using technology to capture and unleash the intrinsic value of surplus. We connect millions of buyers and thousands of sellers through our leading e-commerce auction marketplaces, search engines, asset management and auction software, and related services. Our comprehensive solutions enable the transparent, efficient, sustainable recovery of value from excess items owned by business and government sellers.

Our business delivers value to shareholders by unleashing the intrinsic value of surplus through our online marketplace platforms. These platforms ignite and enable a self-reinforcing cycle of value creation where buyers and sellers attract one another in greater numbers. The result of this cycle is a continuous flow of goods that becomes increasingly valuable as more participants join the platforms, thereby creating positive network effects that benefit sellers, buyers, and shareholders.

Incorporated in Delaware as Liquidation.com in November 1999, Liquidity Services has over 25 years of industry experience.

Reportable Segments

The Company has five operating segments and three reportable segments under which we conduct business: GovDeals, Retail Supply Chain Group (RSCG), and Capital Assets Group (CAG). Our separate Machinio and Software Solutions operating segments, which do not individually meet the quantitative thresholds to be reportable segments, are combined and presented together as Machinio & Software Solutions for segment reporting purposes. Further information and operating results of our reportable segments can be found in Note 14 - *Segment Information*.

- **GovDeals.** The GovDeals reportable segment provides solutions that enable government entities including city, county, state and federal agencies located in the United States and Canada and related commercial businesses to sell surplus property and real estate assets through its GovDeals, Bid4Assets and Sierra marketplaces; see Note 3 - *Acquisitions*.
- **RSCG.** The RSCG reportable segment consists of marketplaces that enable corporations located in the United States and Canada to sell excess, returned, and overstocked consumer goods. RSCG also offers a suite of services that includes returns management, asset recovery, and e-commerce solutions. This segment uses multiple selling channels across our network of marketplaces and others to optimize the best combination of velocity, volume, and value. This segment primarily conducts its business-to-business sales on its Liquidation.com marketplace and through Direct Sales, and managed direct-to-consumer sales across a network of online sale channels, including Retail Rush, AllSurplus Deals, Secondipity and other online marketplaces.
- **CAG.** The CAG reportable segment enables commercial businesses to sell surplus assets on our AllSurplus and GovDeals marketplace, specializing in asset categories such as heavy equipment, industrial manufacturing, oil and gas, biopharma, fast-moving consumer goods and electronics. CAG also offers a suite of services that includes surplus management, asset valuation, asset sales and marketing. CAG clients benefit from its global base of buyers and sellers, enabling the sale and redeployment of assets wherever they generate the best value and highest use across the world.

Liquidity Services, Inc. and Subsidiaries
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- **Machinio & Software Solutions.** The Machinio operating segment operates the Machinio marketplace, a global search engine platform for listing equipment for sale in the construction, machine tool, processing, transportation, printing, agriculture, and laboratory/medical sectors, and the Machinio System platform that provides equipment sellers with a suite of software tools including website hosting, email marketing, and inventory management, to support and enable equipment sellers' online business. The Software Solutions operating segment separately serves as the Company's private-label auction and software-as-a-service (SaaS) arm, offering scalable auction platform services to entrepreneurs and businesses.

Macroeconomic Conditions

Tariffs and other trade barriers. A number of countries have implemented, or are actively considering, measures affecting cross-border trade. Such actions may impact both our buyers and sellers as well as the availability of assets to list on our marketplaces. Ongoing developments related to the timing, scope and application of tariffs, including changes in tariff rates, the range of affected goods, and the countries subject to such measures, remain fluid and subject to rapid and unpredictable change. Tariffs imposed by the U.S., as well as retaliatory tariffs by other countries on U.S. exports, could adversely affect international commerce and our business.

Supply chain challenges and consumer sentiment. The supply of used vehicles available for sale on our marketplaces may be impacted by ongoing tariffs implemented, or actively being considered, by the U.S., as well as the slowing adoption of electric vehicles as a replacement to internal combustion vehicle fleets. Further, used car market price indices continue to experience heightened volatility. In addition, general consumer behavior can be turbulent, and changes in consumer sentiment can cause fluctuation in the mix, volumes, and demand for the products we receive. Change in these conditions or other challenges that may emerge in other key asset categories can impact our financial performance.

Effects of inflation and heightened interest rates. Inflation in both the U.S. and internationally has weighed on the global economy, increasing prices for energy, shipping, and labor, among other areas of the macroeconomic environment. These events have caused a rise in borrowing costs as well, partly driven by actions taken by central banks to curb rising inflation, which has impacted buyer qualification and transaction timelines.

Currently, the Company is unable to predict the likelihood, magnitude, and timing of inflationary risk to our business, if any. As a marketplace operator, the GMV, revenues and costs of revenues that result from our primarily auction-based sales may be influenced by macroeconomic factors, including but not limited to inflation, the impacts of which may vary across each of our individual asset classes.

International armed and geopolitical conflicts. The global financial markets have experienced volatility subsequent to the invasion of Ukraine by Russia in February 2022, a conflict which remains ongoing, as well as the ongoing conflict in and adjacent to Israel and Iran, and instability in Venezuela. Escalating tensions involving Iran have also contributed to volatility in global energy markets, including increases in oil prices, which in turn have placed upward pressure on transportation, logistics, and other operating costs and contributed to broader inflationary effects. Additionally, the Russia-Ukraine conflict resulted in numerous countries, including the United States, imposing significant new sanctions and export controls against Russia, Russian banks, and certain Russian individuals. These sanctions and export controls and international responses to the ongoing conflict in and adjacent to Israel and Iran, have further heightened global supply chain disruptions, increased energy and commodity price volatility, and impacted the international trade and financial markets. For the three and nine months ended June 30, 2026 and 2025, the Company's total revenues directly associated with Russia, Ukraine, Israel, Iran, and Venezuela were not material to our consolidated financial results individually nor collectively. We will continue monitoring these armed and geopolitical conflicts around the world and any potential future impacts on our business.

Industry Trends

We believe there are several industry trends positively impacting the long-term growth of our business including:

- the increase in volume of returned merchandise handled both online and in stores as online and omni-channel retail grow as a percentage of overall retail sales;
- the increase in government regulations and the need for corporations to have sustainability solutions with verifiable recycling and remarketing of surplus assets;
- the increase in outsourcing surplus disposition and end-of-life assets by corporations and government entities as they focus on reducing costs, improving transparency, compliance and working capital, and increasingly prefer service providers with proven track records, innovative scalable solutions and the ability to make a strategic impact in the reverse supply chain;
- an increase in buyer demand for surplus merchandise as consumers aspire to make more environmentally conscious decisions, while also seeking greater value through purchasing less expensive goods, both of which could impact our long-term growth;
- the increase in demand from sellers and buyers to transact in an online solution ensuring assets are sold for fair market value; and
- in the long-term we expect innovation in the retail supply chain will increase the pace of product obsolescence and, therefore, increase the supply of surplus assets.

Liquidity Services, Inc. and Subsidiaries
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Our Marketplace Transactions

We believe our marketplaces benefit over time from greater scale and adoption by our users creating a continuous flow of goods benefiting our buyers and sellers. As of June 30, 2026, we had 6.4 million registered buyers in our marketplaces. We had access to millions of additional end-users through a range of external consumer marketplaces. Aggregating this level of buyer demand and market data enables us to generate a continuous flow of goods from corporate and government sellers, which in turn attracts more buyers. During the twelve months ended June 30, 2026, the approximate number of registered buyers increased from 5.9 million to 6.4 million, or approximately 9%. As buyers continue to discover and use our e-commerce marketplaces as an effective method to source assets, we believe our solutions become a more attractive sales channel for corporate and government agency sellers. We believe this self-reinforcing cycle results in greater transaction volume and enhances the value of our marketplaces.

Revenues

Substantially all of our revenue is earned through the following transaction models:

Purchase model. Under our purchase transaction model, we recognize revenue within the Purchase revenues line-item on the Consolidated Statements of Operations from the resale of inventory that we purchased from sellers. We consider these sellers to be our vendors. We pay our sellers either a fixed amount or a portion of the net or gross proceeds received from our completed sales based on the value we receive from the sale, in some cases, after deducting a required return to us that we have negotiated with the seller. Because we are the principal in purchase transaction model sales, we recognize as revenue the sale price paid by the buyer upon completion of a transaction. The proceeds paid by buyers also include transaction fees, referred to as buyer premiums.

Consignment model—fee revenue. Under our consignment transaction model, we enable our sellers to sell goods they own in our marketplaces, and we charge them a commission fee based on the gross or net proceeds received from such sales. The revenue from our consignment transaction model is recognized upon auction close or upon collection of auction proceeds, depending upon the settlement service level selected by the seller. Revenue under the consignment model is recorded within the Consignment and other fee revenues line-item on the Consolidated Statements of Operations. Because we are the agent in consignment model sales, our commission fee revenue, which we refer to as seller commissions, represents a percentage of the sales price the buyer pays upon completion of a transaction. We vary the percentage amount of the seller commission depending on the various value-added services we provide to the seller to facilitate the transaction. For example, we generally increase the percentage amount of the commission if we take possession, handle, ship, or provide enhanced product information for the merchandise. In most cases we collect the seller commission by deducting the appropriate amount from the sales proceeds prior to the distribution to the seller after completion of the transaction. In addition to seller commissions, we also collect buyer premiums.

Other — fee revenue. We also earn non-consignment fee revenue from our Machinio and Software Solution subscription services, auction listing service fees for foreclosed real estate at our GovDeals segment (payable regardless of whether or not an auction is completed), as well as other services including asset valuation, product handling, and storage fees. Non-consignment fee revenue is recorded within the Consignment and other fee revenues line-item on the Consolidated Statements of Operations.

Transaction Model Mix. Most of our transactions are conducted under the consignment model, which represented 83.1% and 81.7% of our consolidated GMV for the three and nine months ended June 30, 2026, respectively, and 82.5% and 80.9% of our consolidated GMV for the three and nine months ended June 30, 2025, respectively. However, only the consignment fee, representing a small portion of the consignment GMV, is recognized as revenue, causing consignment revenues to account for 30.9% and 30.1% of our total revenues for the three and nine months ended June 30, 2026, respectively, and 30.0% and 28.1% of our total revenues for the three and nine months ended June 30, 2025, respectively.

Purchase model transactions are a smaller proportion of our consolidated GMV, representing 16.9% and 18.3% of our consolidated GMV for the three and nine months ended June 30, 2026, respectively, and 17.5% and 19.1% of our consolidated GMV for the three and nine months ended June 30, 2025, respectively. However, all of the GMV associated with the purchase model transaction is generally able to be recognized as revenue, causing purchase revenues to account for 63.2% and 63.8% of our total revenues for the three and nine months ended June 30, 2026, respectively, and 63.8% and 66.1% of our total revenues for the three and nine months ended June 30, 2025, respectively.

In assessing buyer concentration risk, we consider a number of quantitative factors, which can include the buyer's proportionate share of our consolidated GMV, revenues and direct profit, including any impacts based upon the transaction model mix they purchase. We also consider qualitative factors, such as the level of differentiation in the products sold and whether there are alternative buyers accessible in the market, among other relevant factors. For the three and nine months ended June 30, 2026 and 2025, we were not dependent on any single buyer in a manner material to our business.

The Company has multiple vendor contracts with Amazon.com, Inc. under which it acquires and sells commercial merchandise. While purchase model transactions account for less than 20% of our total GMV, the cost of inventory for purchase model transactions is the most significant component of our consolidated Costs of goods sold. \$11.1 million and \$10.1 million of inventory purchased under such contracts with Amazon.com, Inc. is included in our Inventory balances on our Condensed Consolidated Balance Sheets as of June 30, 2026 and September 30, 2025, respectively. The Company's vendor contracts with respect to sourcing or consigning merchandise for our RSCG segment generally reflect the concentration dynamics inherent to the retail industry.

Liquidity Services, Inc. and Subsidiaries
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Other fee revenues accounted for 6.0% and 6.2% of our total revenues for three and nine months ended June 30, 2026, respectively, and 6.2% and 5.8% of our total revenues for the three and nine months ended June 30, 2025, respectively.

Key Business Metrics

Our management periodically reviews certain key business metrics for operational planning purposes and to evaluate the effectiveness of our operational strategies, allocation of resources, and our capacity to fund capital expenditures and expand our business. These key business metrics include:

Gross merchandise volume (GMV). GMV is the total sales value of all transactions for which we earned compensation upon their completion through our marketplaces or other channels during a given period of time. We review GMV because it provides a measure of the volume of goods being sold in our marketplaces and thus the activity of those marketplaces. GMV also provides a means to evaluate the effectiveness of investments that we have made and continue to make, including in the areas of buyer and seller support, value-added services, product development, sales and marketing, and operations. Our GMV for the three and nine months ended June 30, 2026, was \$453.0 million and \$1.2 billion, respectively, increasing from the three and nine months ended June 30, 2025 by \$40.0 million, or 9.7%, and \$74.4 million, or 6.4%, respectively.

Total registered buyers. We grow our buyer base through a combination of internal and external marketing, as well as other promotional efforts. An individual or company becomes a registered buyer by completing our online registration process for our marketplaces. During registration, we collect personal and business information, including name, company name, address, email, phone number, taxation information, and intended use of our marketplaces. Each prospective buyer must accept our User Agreement (Terms and Conditions) to proceed.

Upon completion of registration, each buyer's information is automatically screened against global restricted party lists maintained by government regulatory agencies. If the screening flags a buyer, our Customer Support team manually reviews the registration, typically within 24 hours, and the registration is either approved, denied, or subject to further identity verification. Only buyers who pass this vetting process are activated and permitted to bid on our marketplaces. We also conduct ongoing screening of active buyers to ensure continued compliance.

Total registered buyers, as of a given date, represent the aggregate number of persons or entities who have registered on one of our marketplaces. We use this metric to evaluate how well our marketing and promotional efforts are performing. Total registered buyers exclude duplicate registrations, buyers who are suspended from utilizing our marketplaces and buyers who have voluntarily removed themselves from our registration database. In addition, if we become aware of registered buyers that are no longer in business, we remove them from our database. As of June 30, 2026 and 2025, we had 6.4 million and 5.9 million registered buyers, respectively.

Total auction participants. For each auction we manage, the number of auction participants represents the total number of registered buyers who have bid one or more times in that auction. As a result, a registered buyer who bids, or participates, in more than one auction is counted as an auction participant in each auction in which he or she participates. Thus, total auction participants for a given period is the sum of the auction participants in each auction conducted during that period.

We use this metric to allow us to compare our online auction marketplaces to our competitors, including other online auction sites and traditional on-site auctioneers. In addition, we measure total auction participants on a periodic basis to evaluate the activity level of our base of registered buyers and to measure the performance of our marketing and promotional efforts. During the three months ended June 30, 2026 and 2025, 1,046,000 and 1,098,000 participants participated in auctions on our marketplaces, respectively. During the nine months ended June 30, 2026 and 2025, 3,014,000 and 3,040,000 participants participated in auctions on our marketplaces, respectively.

Completed transactions. Completed transactions represent the number of auctions in a given period from which we have recorded revenue. Similar to GMV, we believe that completed transactions is a key business metric because it provides an additional measurement of the volume of activity flowing through our marketplaces. During the three months ended June 30, 2026 and 2025, we completed 334,000 and 286,000 transactions, respectively. During the nine months ended June 30, 2026 and 2025, we completed 878,000 and 797,000 transactions, respectively.

Critical Accounting Policies and Estimates

The Company's critical accounting policies and estimates are described in our Annual Report on Form 10-K for the year ended September 30, 2025, and in Note 2 — *Summary of Significant Accounting Policies* to the condensed consolidated financial statements.

Valuation of goodwill. Goodwill is allocated to our reporting units. The Company's reporting units are GovDeals, CAG, RSCG, Machinio and Software Solutions. Only the GovDeals, CAG, Machinio and Software Solutions reporting units have goodwill balances.

The Company's Software Solutions reporting unit was acquired during fiscal 2025 and has a goodwill balance of \$5.1 million. As a recently acquired business, this reporting unit has limited post-acquisition valuation history. Accordingly, its goodwill impairment analyses may be particularly sensitive to changes in key valuation assumptions, including revenue growth rates, operating margins, and discount rates.

Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements - (Continued)

Components of Revenue and Expenses

Revenue. Refer to the discussion in the *Our revenue* section above, and to Note 2 — *Summary of Significant Accounting Policies* in our Annual Report on Form 10-K for the year ended September 30, 2025, for discussion of the Company's related accounting policies.

Cost of goods sold (excludes depreciation and amortization). Refer to the discussion in Note 2 — *Summary of Significant Accounting Policies* in our Annual Report on Form 10-K for the year ended September 30, 2025, for discussion of the Company's Costs of goods sold and related accounting policies.

Technology and operations. Technology expenses primarily consist of the cost of technical staff (including stock compensation), third-party services, licenses, and infrastructure, all as required to develop, configure, deploy, maintain, and secure our marketplace platforms, business operational systems, and facilities. Technology expenses are net of the required capitalization of costs associated with enhancing our marketplace platforms and other software development activities. Depreciation and amortization of capitalized software development costs, purchased software, acquired developed software intangible assets, and computer hardware are included within Depreciation and amortization in the accompanying Condensed Consolidated Statements of Operations. Technology expenses are presented separately from Costs of goods sold (excluding depreciation and amortization) in the Condensed Consolidated Statements of Operations, as these expenses provide for the general availability of our marketplace platforms and other business operational systems and are not attributable to specific revenue generating transaction activity occurring on our marketplaces.

Because our marketplaces and support systems require frequent upgrades and enhancements to maintain viability, we have determined that the useful life for certain internally developed software is less than one year. As a result, we expense those costs as incurred. However, where we determine that the useful life of the internally developed software will be greater than one year, we capitalize development costs in accordance with ASC 350-40, Internal-use software. As such, we are capitalizing certain development costs associated with our marketplaces and support systems, as well as other software development activities.

Operations expenses consist primarily of costs to operate our network of warehouses, including shipping logistics, inventory management, refurbishment, and administrative functions; costs to enhance our online auctions listings and provide customer support; and costs associated with field support and preparation and transfer of goods from sellers to buyers. Operations expenses include both internal and external labor costs, as well as other third-party charges. These costs are expensed as incurred.

Sales and marketing. Sales and marketing expenses include the cost of our sales and marketing personnel as well as the cost of lead generation, marketing and promotional activities, including buyer and seller acquisition, as well as general brand marketing. These activities include online marketing campaigns, such as paid search advertising and geofencing campaigns, as well as offline marketing efforts, trade shows, and marketing analytics.

General and administrative. General and administrative expenses include all corporate and administrative functions that support our operations and provide an infrastructure to facilitate our future growth. These expenses are generally more fixed in nature than our other operating expenses and do not vary as significantly in response to the volume of merchandise sold through our marketplaces.

Depreciation and amortization. Depreciation and amortization consist of depreciation of property and equipment, amortization of internally developed software, and amortization of intangible assets.

Other operating expenses, net. Other operating expenses, net includes acquisition-related costs, impairment of long-lived and other assets, impacts of lease terminations, as well as business realignment expenses, including those associated with restructuring initiatives and the exit of certain business operations.

Interest and other income, net. Interest and other income, net consists of interest income on interest-bearing checking accounts, money market funds, interest and unused commitment fees in connection with the Company's Credit Agreement, the components of net periodic pension cost (benefit) other than the service component and impacts of foreign currency fluctuations.

Income taxes. Income taxes include current and deferred income tax expense for the U.S. federal, state, and foreign jurisdictions.

Results of Operations

The following table sets forth, for the periods indicated, our consolidated operating results:

Liquidity Services, Inc. and Subsidiaries
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(dollars in thousands)	Three months ended June 30,		Change		Nine Months Ended June 30,		Change	
	2026	2025	\$	%	2026	2025	\$	%
Purchase revenues	\$ 81,838	\$ 76,517	\$5,321	7.0 %	\$ 237,042	\$ 237,159	\$ (117)	(0.0)%
Consignment and other fee revenues	47,740	43,358	4,382	10.1 %	134,488	121,422	13,066	10.8 %
Total revenue	129,578	119,875	9,703	8.1 %	371,530	358,581	12,949	3.6 %
Costs and expenses from operations:								
Cost of goods sold (excludes depreciation and amortization)	65,742	65,110	632	1.0 %	194,790	206,220	(11,430)	(5.5)%
Technology and operations	19,252	17,275	1,977	11.4 %	55,869	51,565	4,304	8.3 %
Sales and marketing	17,618	15,694	1,924	12.3 %	50,750	44,278	6,472	14.6 %
General and administrative	10,141	8,221	1,920	23.4 %	28,978	23,596	5,382	22.8 %
Depreciation and amortization	2,683	2,657	26	1.0 %	7,906	7,741	165	2.1 %
Other operating expenses	4	700	(696)	(99.4)%	108	1,073	(965)	(89.9)%
Total costs and expenses	115,440	109,657	5,783	5.3 %	338,401	334,473	3,928	1.2 %
Income from operations	14,138	10,218	3,920	38.4 %	33,129	24,108	9,021	37.4 %
Interest and other income, net	(1,360)	(1,077)	(283)	26.3 %	(3,558)	(3,083)	(475)	15.4 %
Income before provision for income taxes	15,498	11,295	4,203	37.2 %	36,687	27,191	9,496	34.9 %
Provision for income taxes	5,072	3,885	1,187	30.5 %	11,250	6,920	4,330	62.6 %
Net income	\$ 10,426	\$ 7,410	\$3,016	40.7 %	\$ 25,437	\$ 20,271	\$5,166	25.5 %

NM = not meaningful

The following table presents reportable segment GMV, revenue, segment direct profit (calculated as total revenue less cost of goods sold (excluding depreciation and amortization)), and segment direct profit as a percentage of total revenue for the periods indicated:

(dollars in thousands)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2026	2025	2026	2025
GovDeals:				
GMV	\$ 273,989	\$ 252,291	\$ 714,585	\$ 667,761
Total revenue	\$ 25,524	\$ 23,966	\$ 69,082	\$ 63,725
Segment direct profit	\$ 24,163	\$ 22,160	\$ 65,221	\$ 58,688
Segment direct profit as a percentage of total revenue	94.7%	92.5%	94.4%	92.1%
RSCG:				
GMV	\$ 121,552	\$ 102,556	\$ 348,113	\$ 315,170
Total revenue	\$ 87,820	\$ 81,544	\$ 253,040	\$ 251,917
Segment direct profit	\$ 25,157	\$ 19,371	\$ 67,983	\$ 54,434
Segment direct profit as a percentage of total revenue	28.6%	23.8%	26.9%	21.6%
CAG:				
GMV	\$ 57,472	\$ 58,160	\$ 178,139	\$ 183,509
Total revenue	\$ 10,794	\$ 9,161	\$ 33,054	\$ 28,604
Segment direct profit	\$ 9,560	\$ 8,460	\$ 28,593	\$ 25,909
Segment direct profit as a percentage of total revenue	88.6%	92.4%	86.5%	90.6%
Machinio & Software Solutions:				
GMV	—	—	—	—
Total revenue	\$ 5,440	\$ 5,221	\$ 16,354	\$ 14,386
Segment direct profit	\$ 4,956	\$ 4,790	\$ 14,943	\$ 13,380
Segment direct profit as a percentage of total revenue	91.1%	91.7%	91.4%	93.0%
Consolidated:				
GMV	\$ 453,013	\$ 413,007	\$ 1,240,837	\$ 1,166,440
Total revenue	\$ 129,578	\$ 119,875	\$ 371,530	\$ 358,581

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Three Months Ended June 30, 2026, Compared to the Three Months Ended June 30, 2025

Segment Results

GovDeals. Total revenues from our GovDeals reportable segment increased 6.5%, or \$1.6 million, due to a \$21.7 million, or 8.6%, increase in GMV, driven by continued marketplace adoption, new seller acquisition and service expansion. Revenue grew at a lower rate than GMV due to an increase in transaction mix of the lower take-rate real estate category. Segment direct profit increased by \$2.0 million, or 9.0%, and Segment direct profit as a percentage of total revenue increased from 92.5% to 94.7%, due to lower transaction processing fees.

RSCG. Revenue from our RSCG reportable segment increased by \$6.3 million, or 7.7%, reflecting that the \$19.0 million, or 18.5%, increase in GMV was primarily driven by consignment transactions in our asset-light, sell-in-place marketplace solutions and managed direct-to-consumer channels, while there was a modest increase in our purchase programs. Segment direct profit increased by \$5.8 million, or 29.9%, and Segment direct profit as a percentage of total revenue increased from 23.8% to 28.7%, driven by improved recovery on selected purchase-model flows, robust buyer demand, channel optimization, and lower transaction processing fees.

CAG. Revenue in our CAG reportable segment increased by \$1.6 million, or 17.8%, as a slight decrease in GMV of \$0.7 million, or 1.2%, driven by variability in project timing and regional activity levels, was more than offset by a favorable transaction mix of complex, multinational industrial projects that command a higher take-rate. As there are inherent variations in the mix of assets sourced and sold by the CAG segment in any given period, Segment direct profit as a percentage of total revenue decreased from 92.4% to 88.6%. As a result of the increase in revenues, Segment direct profit increased by \$1.1 million, or 13.0%. Global supply chains may experience heightened disruptions due to international tensions and other factors which could limit the volume of assets made available for sale in any period.

Machinio & Software Solutions. Revenue from our Machinio & Software Solutions reportable segment increased 4.2%, or \$0.2 million, due to modest subscription growth and pricing, and expansion of our Machinio System offering to marine dealers. As a result of the increase in revenues, segment direct profit increased 3.5%, or \$0.2 million. Segment direct profit as a percentage of total revenue remained relatively consistent between the periods.

Consolidated Results

Total revenues. Total consolidated revenue increased \$9.7 million, or 8.1%. Refer to the *Segment Results* above for discussion of the increase in revenue.

Cost of goods sold (excludes depreciation and amortization). Cost of goods sold increased \$0.6 million, primarily due to a modest increase in our purchase programs at our RSCG reportable segment, partially offset by lower transaction processing fees. Refer to the Segment Results above for discussion of changes in Segment direct profit as a percentage of total revenue.

Technology and operations expenses. Technology and operations expenses increased \$2.0 million, or 11.4% (\$1.7 million, or 10.4%, after the effect of a \$0.2 million increase in stock compensation primarily from variable stock awards tied to financial performance targets), driven by continued investment in our proprietary marketplace platform technology and costs associated with multinational industrial projects at our CAG reportable segment.

Sales and marketing expenses. Sales and marketing expenses increased \$1.9 million, or 12.3% (\$1.4 million, or 10.1%, after the effect of a \$0.5 million increase in stock compensation primarily from variable stock awards tied to financial performance targets), driven by continued market share expansion and multi-channel buyer participation initiatives.

General and administrative expenses. General and administrative expenses increased \$1.9 million, or 23.4% (\$0.8 million, or 13.4%, after the effect of a \$1.1 million increase in stock compensation primarily from variable stock awards tied to financial performance targets), primarily due to changes in expected attainment of certain variable compensation targets.

Depreciation and amortization. Depreciation and amortization expense was consistent between the three months ended June 30, 2026, and 2025.

Other operating expenses, net. Other operating expenses, net decreased \$0.7 million due to business restructuring expenses incurred at our RSCG reportable segment during the three months ended June 30, 2025.

Provision for income taxes. Provision for income taxes increased \$1.2 million due to higher pre-tax income, a decrease in tax benefits from stock compensation and other nondeductible expenses.

Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements - (Continued)

Nine Months Ended June 30, 2026, Compared to the Nine Months Ended June 30, 2025

Segment Results

GovDeals. Total revenues from our GovDeals reportable segment increased 8.4%, or \$5.4 million, due to a \$46.8 million, or 7.0%, increase in GMV driven by continued marketplace adoption, new seller acquisition and service expansion. Revenue grew at a higher rate than GMV due to the expansion of service offerings to higher-volume sellers. Segment direct profit increased by \$6.5 million, or 11.1%, and Segment direct profit as a percentage of total revenue increased from 92.1% to 94.4%, due to lower transaction processing fees.

RSCG. Revenue from our RSCG reportable segment increased by \$1.1 million, or 0.4%, reflecting that the \$32.9 million, or 10.5% increase in GMV was driven by consignment transactions in our asset-light, sell-in-place marketplace solutions and managed direct-to-consumer channels, partially offset by a slight decline in our purchase programs. Segment direct profit increased by \$13.5 million, or 24.9%, and Segment direct profit as a percentage of total revenue increased from 21.6% to 26.9%, driven by strong multi-channel consignment buyer participation, robust buyer demand, channel optimization, and lower transaction processing fees.

CAG. Revenue from our CAG reportable segment increased by \$4.5 million, or 15.6%, as a decrease in GMV of \$5.4 million, or 2.9%, driven by variability in project timing and regional activity levels, was more than offset by increased heavy equipment consignment transaction activity and a favorable transaction mix of complex, multinational industrial projects that command a higher take-rate. As there are inherent variations in the mix of assets sourced and sold by the CAG segment in any given period, Segment direct profit as a percentage of total revenue decreased from 90.6% to 86.5%. As a result of the increase in revenues, Segment direct profit increased by \$2.7 million, or 10.4%. Global supply chains may experience heightened disruptions due to international tensions and other factors, which could limit the volume of assets made available for sale in any period.

Machinio & Software Solutions. Revenue in our Machinio & Software Solutions businesses increased 13.7%, or \$2.0 million, due to modest subscription growth and pricing and expansion of our Machinio System offering to marine dealers. As a result of these increases in revenues, segment direct profit increased 11.7%, or \$1.6 million. Segment direct profit as a percentage of total revenue decreased from 93.0% to 91.4% due to the Auction Software acquisition.

Consolidated Results

Total revenues. Total consolidated revenue increased \$12.9 million, or 3.6%. Refer to the *Segment Results* above for discussion of the increase in revenue.

Cost of goods sold (excludes depreciation and amortization). Cost of goods sold decreased \$11.4 million, primarily due to improved margins from robust buyer demand optimized through our multi-channel approach in our RSCG reportable segment, as well as lower transaction processing fees, during the nine months ended June 30, 2026. Refer to the *Segment Results* above for discussion of changes in Segment direct profit as a percentage of total revenue.

Technology and operations expenses. Technology and operations expenses increased \$4.3 million, or 8.3%, (\$3.4 million, or 6.8%, after the effect of a \$0.9 million increase in stock compensation primarily from variable stock awards tied to financial performance targets), driven by continued investment in our proprietary marketplace platform technology and costs associated with multinational industrial projects at our CAG reportable segment, partially offset by a streamlining of operational costs including warehouse consolidation efforts in our RSCG reportable segment.

Sales and marketing expenses. Sales and marketing expenses increased \$6.5 million, or 14.6%, (\$4.6 million, or 11.0%, after the effect of a \$1.9 million increase in stock compensation primarily from variable stock awards tied to financial performance targets), driven by continued market share expansion and multi-channel buyer participation initiatives.

General and administrative expenses. General and administrative expenses increased \$5.4 million, or 22.8%, (\$1.9 million, or 10.3%, after the effect of a \$3.5 million increase in stock compensation primarily from variable stock awards tied to financial performance targets), primarily due to changes in expected attainment of certain variable compensation targets.

Depreciation and amortization. Depreciation and amortization expense was consistent between the nine months ended June 30, 2026 and 2025.

Other operating expenses, net. Other operating expenses, net decreased \$1.0 million, as the nine months ended June 30, 2025, included business restructuring expenses incurred at our RSCG reportable segment and transactions costs associated with the acquisition of Auction Software; see Note 3 - *Acquisition*.

Provision for income taxes. Provision for income taxes increased \$4.3 million due to higher pre-tax income, a decrease in tax benefits from stock compensation and other nondeductible expenses.

Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements - (Continued)

Non-GAAP Financial Measures

Non-GAAP EBITDA and Non-GAAP Adjusted EBITDA. Non-GAAP EBITDA is a supplemental non-GAAP financial measure and is equal to Net income plus Interest and other (income) expense, net excluding the non-service components of net periodic pension cost (benefit); Provision for income taxes; and Depreciation and amortization. Interest and other (income) expense, net, can include non-operating gains and losses, such as from foreign currency fluctuations. Our definition of Non-GAAP Adjusted EBITDA differs from Non-GAAP EBITDA because we further adjust Non-GAAP EBITDA for stock-based compensation expense, acquisition costs such as transaction expenses and changes in earn out estimates, business realignment expenses, litigation settlement expenses that are not expected to reoccur, and goodwill, long-lived and other non-current asset impairment.

We believe Non-GAAP EBITDA and Non-GAAP Adjusted EBITDA are useful to an investor in evaluating our performance for the following reasons:

- Depreciation and amortization expense primarily relates to property and equipment and the amortization of intangible assets. These expenses are non-cash charges that have fluctuated significantly in the past. As a result, we believe that adding back these non-cash charges is useful in evaluating the operating performance of our business on a consistent basis from year-to-year.
- As a result of varying federal and state income tax rates, we believe that presenting a financial measure that adjusts for provision for income taxes is useful to investors when evaluating the operating performance of our business on a consistent basis from year to year.
- The authoritative guidance for stock-based compensation requires all share-based payments to employees, including grants of employee stock options, restricted stock and stock appreciation rights to be recognized in the income statement based on their estimated fair values over the requisite vesting period. We believe adjusting for this stock-based compensation expense is useful to investors when evaluating the operating performance of our business on a consistent basis from year to year.
- The authoritative guidance related to business combinations requires the initial recognition of contingent consideration at fair value based upon information known or knowable as of the acquisition date, with subsequent changes in fair value recorded through the Condensed Consolidated Statements of Operations and disallows the capitalization of transaction costs. We believe adjusting for these acquisition related expenses is useful to investors when evaluating the operating performance of our business on a consistent basis from year-to-year.
- We believe adjusting for litigation settlement expenses that are not expected to reoccur is useful to investors when evaluating the operating performance of our business on a consistent basis from year-to-year.
- We believe adjusting for business realignment expense is useful to investors when evaluating the operating performance of our business on a consistent basis from year-to-year, as these expenses are outside our ordinary course of business.
- We believe isolating non-cash charges, such as amortization and depreciation, and other items, such as impairment costs incurred outside our ordinary course of business, provides additional information about our cost structure, and, over time, helps track our performance.
- We believe Non-GAAP EBITDA and Non-GAAP Adjusted EBITDA are important indicators of our operational strength and the performance of our business because they provide a link between profitability and operating cash flow.
- We also believe that analysts and investors use Non-GAAP EBITDA and Non-GAAP Adjusted EBITDA as supplemental measures to evaluate the overall operating performance of companies in our industry.

Our management uses Non-GAAP EBITDA and Non-GAAP Adjusted EBITDA:

- as measurements of operating performance because they assist us in comparing our operating performance on a consistent basis as they remove the impact of items not directly resulting from our core operations;
- for planning purposes, including the preparation of our internal annual operating budget;
- to allocate resources to enhance the financial performance of our business;
- to evaluate the effectiveness of our operational strategies; and
- to evaluate our capacity to fund capital expenditures and expand our business.

Non-GAAP EBITDA and Non-GAAP Adjusted EBITDA as calculated by us are not necessarily comparable to similarly titled measures used by other companies. In addition, Non-GAAP EBITDA and Non-GAAP Adjusted EBITDA: (a) do not represent net income or cash flows from operating activities as defined by GAAP; (b) are not necessarily indicative of cash available to fund our cash flow needs; and (c) should not be considered as alternatives to net income, income from operations, cash provided by (used in) operating activities, or our other financial information as determined under GAAP.

Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements - (Continued)

We prepare Non-GAAP Adjusted EBITDA by eliminating from Non-GAAP EBITDA the impact of items that we do not consider indicative of our core operating performance. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. As an analytical tool, Non-GAAP Adjusted EBITDA is subject to all of the limitations applicable to Non-GAAP EBITDA. Our presentation of Non-GAAP Adjusted EBITDA should not be construed as an implication that our future results will be unaffected by unusual or non-recurring items.

The table below reconciles Net income to Non-GAAP EBITDA and Non-GAAP Adjusted EBITDA for the periods presented.

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2026	2025	2026	2025
Net income	\$ 10,426	\$ 7,410	\$ 25,437	\$ 20,271
Interest and other income, net ¹	(1,411)	(1,127)	(3,711)	(3,231)
Provision for income taxes	5,072	3,885	11,250	6,920
Depreciation and amortization	2,683	2,657	7,906	7,741
Non-GAAP EBITDA	\$ 16,770	\$ 12,825	\$ 40,882	\$ 31,701
Stock compensation expense	5,272	3,512	15,796	9,522
Acquisition-related costs ²	4	50	116	286
Business realignment expenses ³	—	618	—	777
Non-GAAP Adjusted EBITDA	\$ 22,046	\$ 17,005	\$ 56,794	\$ 42,286

¹ Interest and other income, net, per the Condensed Consolidated Statements of Operations, excludes the non-service components of net periodic pension cost (benefit).

² Acquisition-related costs are included in Other operating expenses, net on the Condensed Consolidated Statements of Operations.

³ Business realignment expense, included as a component of Other operating expenses, net, on the Condensed Consolidated Statement of Operations, includes the amounts accounted for as exit costs under ASC 420, Exit or Disposal Cost Obligations, and the related impacts of business realignment actions subject to other accounting guidance.

Liquidity and Capital Resources

Our operational cash needs primarily relate to working capital, including staffing costs, technology expenses, leases of real estate, and equipment used in our operations, and capital used for inventory purchases, which we have funded through existing cash balances and cash generated from operations. The Company has not paid a dividend historically, nor do we have any intention to do so in the foreseeable future. From time to time, we may use our capital resources for other activities, such as contract start-up costs, joint ventures, share repurchases and acquisitions. As of June 30, 2026, we had \$219.8 million in Cash and cash equivalents and \$11.3 million in Short-term investments, which we believe is sufficient to meet the Company's anticipated cash needs for at least one year from the date of these financial statements.

The Company accepts multiple forms of payment including payment cards, bank transfers, and other merchant account providers. Generally, we require receipt of payment prior to shipment or buyer-arranged pick-up at the point of sale, which minimizes our collection risk on those transactions. However, for a limited number of financially qualified buyers, which can include re-sellers, we may from time-to-time extend credit for certain large purchases with negotiated payment periods. Credit terms commonly require payment to be made within 30 days, but where commercial terms or market conditions warrant these payment terms may be extended for up to six months. As a result, our consolidated accounts receivable balances are typically a small component of our overall financial position but may, at times, be concentrated among a limited, small number of such buyers. Collection risk from and credit exposure to these financially qualified buyers is regularly reviewed by management and adjusted as needed.

We intend to indefinitely reinvest the earnings of our foreign subsidiaries outside the United States. As a result, we did not record a provision for deferred U.S. tax expense on the \$9.9 million of undistributed foreign earnings as of June 30, 2026. A total of \$28.5 million of cash and cash equivalents and short-term investments was held out of the U.S. as of June 30, 2026. These amounts are not currently considered in our evaluation of near-term liquidity needs in the U.S. due to the potential for adverse tax consequences upon repatriation.

Capital Expenditures

Our capital expenditures consist primarily of capitalized software, warehouse equipment, computers and purchased software, office equipment, furniture and fixtures, and leasehold improvements. The timing and volume of such capital expenditures in the future will be affected by the addition of new sellers or buyers or expansion of existing seller or buyer relationships. We intend to fund those expenditures primarily from our existing cash balances and operating cash flows. Our capital expenditures for the nine months ended June 30, 2026 and 2025, were \$6.2 million and \$5.8 million, respectively. This increase was primarily driven by the timing of enhancements to our platforms and marketplaces. As of June 30, 2026, we had no significant outstanding commitments for capital expenditures.

Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements - (Continued)

Our future capital requirements will depend on many factors including our rate of revenue growth, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the development and deployment of new marketplaces, the introduction of new value-added services and the costs to expand our network of warehouses. We may seek to enter agreements with respect to potential investments in, or acquisitions of, complementary businesses, products or technologies, which could also require us to seek additional equity or debt financing. The sale of additional equity securities or convertible debt securities would result in additional dilution to our stockholders. Additional debt would result in increased interest expense and could result in covenants that would restrict our operations. There is no assurance that such financing, if required, will be available in amounts or on terms acceptable to us, if at all.

Credit Agreement

The Company maintains a \$35.0 million revolving credit facility with Wells Fargo Bank, National Association (the Credit Agreement). During the three months ended June 30, 2026, the Credit Agreement was amended to extend the maturity date by 12 months to March 31, 2028 (the Fourth Amendment). No other changes, including regarding the borrowing terms or capacities, were made to the Credit Agreement.

The Company may draw upon the Credit Agreement for general corporate purposes. Repayments of any borrowings under the Credit Agreement shall become available for redraw at any time by the Company. The interest rate on borrowings under the Credit Agreement is a variable rate per annum equal to the Daily Simple Secured Overnight Financing Rate (SOFR) in effect plus a margin ranging from 1.25% to 1.75%. Interest is payable monthly. During the three and nine months ended June 30, 2026, the Company did not make any draws under the Line of Credit, had no outstanding borrowings under the Line of Credit and had \$11.3 million of standby letters of credit outstanding. The amount of standby letters of credit are reserved against the Line of Credit and are not available for borrowing, resulting in \$23.7 million of remaining borrowing capacity under the Line of Credit as of June 30, 2026.

The obligations under the Credit Agreement are unconditionally guaranteed by us and each of our existing and subsequently acquired or organized domestic subsidiaries and secured on a first priority basis by a security interest (subject to permitted liens) in substantially all assets owned by us, and each of our other domestic subsidiaries, subject to limited exceptions. The Credit Agreement contains certain financial and non-financial restrictive covenants including, among others, the requirement to maintain a minimum level of earnings before interest, income taxes, depreciation and amortization (EBITDA). The Credit Agreement contains a number of affirmative and restrictive covenants including limitations on mergers, consolidations and dissolutions, investments and acquisitions, indebtedness and liens, and dividends and other restricted payments. As of June 30, 2026, the Company was in full compliance with the terms and conditions of the Credit Agreement.

Other Uses of Capital Resources

Marketplace and Support System Innovations. We regularly invest in new solutions and enhancements to our marketplace platforms, including capabilities and tools for product recommendations, behavioral marketing, analytics, payment optimization, and leveraging advanced digital capabilities such as artificial intelligence (AI) and machine learning.

Auction Software Acquisition. On January 31, 2025, the Company acquired Auction Software, a private-label marketplace and SaaS solutions provider. Auction Software results are reported within our Machinio & Software Solutions reportable segment. See Note 3 - *Acquisitions* for more information regarding this transaction.

Share Repurchases. From time to time, we have been authorized to repurchase issued and outstanding shares of our common stock under a share repurchase program approved by our Board of Directors. Share repurchases may be made through open market purchases, privately negotiated transactions or otherwise, at times and in such amounts as management deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements and other market conditions. The repurchase program may be discontinued or suspended at any time and will be funded using our available cash.

As of September 30, 2025, the Company had \$1.5 million of remaining authorization to repurchase shares through December 31, 2026. On November 17, 2025, the Company's Board of Directors authorized the repurchase of up to an additional \$15.0 million of the Company's outstanding shares of common stock through December 31, 2027.

The Company made no repurchases during the three months ended June 30, 2026. The Company repurchased 56,676 shares for \$1.5 million during the nine months ended June 30, 2026. As of June 30, 2026, the Company had \$15.0 million of remaining authorization to repurchase shares through December 31, 2027.

Off-Balance Sheet Arrangements. We do not have any transactions, agreements or other contractual arrangements that could be considered material off-balance sheet arrangements.

Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements - (Continued)

Changes in Cash Flows: Nine Months Ended June 30, 2026, Compared to the Nine Months Ended June 30, 2025

Net cash provided by operating activities was \$60.2 million and \$28.8 million for the nine months ended June 30, 2026 and 2025, respectively. The \$31.4 million increase in cash provided by operating activities between periods was primarily attributable to an \$11.3 million increase in Net income as adjusted for non-cash items, an \$11.9 million increase in cash inflows associated with our Payables to Sellers due to higher buyer collection activity at the end of the current period in our GovDeals segment as there is inherent variability in the timing of payments processed across periods, and a \$7.3 million increase in cash inflows associated with Accounts receivable driven by a reduction of RSCG purchase transactions conducted with buyer credit terms in the current year.

Our working capital accounts are subject to natural variations depending on the rate of change of our transaction volumes, the timing of cash receipts and payments, and variations in our transaction volumes related to settlements between our buyers and sellers. RSCG's purchase program volume changes may cause operating cash flows from Accounts receivable, Accounts payable and Inventory to fluctuate. As GovDeals real estate sales with settlement services increase, operating cash flow fluctuations from Accounts payable and Payables to sellers may become more variable. The amount of cash received and settled will be substantially higher than our take-rate on such transactions, and the timing of auction events, cash collection period, and payment of settlements relative to period end dates can potentially drive substantial cash movements to the extent the timing of such activities cross fiscal periods. Our US income tax payments increased \$1.9 million during the nine months ended June 30, 2026, due to higher pre-tax income. There have been no other significant changes to the working capital requirements for the Company.

Net cash used in investing activities was \$6.5 million and \$20.9 million for the nine months ended June 30, 2026 and 2025, respectively. The \$14.4 million decrease in cash used in investing activities was primarily driven by a \$7.4 million decrease in the Company's purchase of short-term investments during nine months ended June 30, 2026, due to timing differences in the maturity and reinvestment dates of our short-term investments, and a \$6.5 million decrease in acquisitions net of cash acquired driven by the prior year acquisition of Auction Software during the nine months ended June 30, 2025; see Note 3 - *Acquisitions*.

Net cash used in financing activities was \$8.5 million and \$5.1 million for the nine months ended June 30, 2026 and 2025, respectively. The \$3.4 million increase in cash used in financing activities was primarily driven by a \$2.9 million increase in taxes paid associated with the net settlement of stock compensation awards as a result of increased vesting of shares in the current period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest rate sensitivity. Our investment policy requires us to invest funds in excess of current operating requirements. The principal objectives of our investment activities are to preserve principal, provide liquidity, and maximize income consistent with minimizing risk of material loss. As of June 30, 2026, we hold cash and cash equivalents and short-term investments that are subject to varying interest rates based upon their maturities. A hypothetical 100 basis point decline in interest rates would impact our pre-tax earnings by approximately \$1.0 million on an annualized basis.

As of June 30, 2026, we do not have any debt; however, should the Company draw on our Line of Credit in the future, such draw would incur interest as determined by the Daily Simple Secured Overnight Financing Rate (SOFR) in effect plus a margin ranging from 1.25% to 1.75%.

Exchange rate sensitivity. Because of the number of countries and currencies we operate in, movements in currency exchange rates may affect our results. We report our operating results and financial condition in U.S. dollars. Our U.S. operations earn revenues and incur expenses primarily in U.S. dollars.

Outside the United States, we generate revenues and incur expenses in both U.S. dollars and local currencies. Our primary foreign exchange exposures include British Pounds, Canadian Dollars, Chinese Yuan, Euros, and Hong Kong Dollars. When we translate the results and net assets of our international operations into U.S. dollars for financial reporting purposes, movements in exchange rates will affect our reported results. Volatile market conditions arising from ongoing macroeconomic conditions such as rising interest rates at federal banks, as well as armed and geopolitical conflicts around the world, may result in significant changes in exchange rates, which could affect our results of operations expressed in U.S. dollars. A hypothetical 10% decrease in foreign exchange rates would reduce our total expected revenues by approximately 1%. The potential impact on pre-tax earnings would be less as total expected expenses would also decrease.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of June 30, 2026, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and were operating to provide reasonable assurance that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the three months ended June 30, 2026, no change occurred in our internal controls over financial reporting that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in litigation relating to claims arising in the ordinary course of the business. Information regarding the Company's legal proceedings can be found in Note 13 - *Legal Proceedings and Other Contingencies* of the accompanying Notes to the condensed consolidated financial statements.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A to our Annual Report on Form 10-K for the fiscal year ended September 30, 2025, except as follows.

Business and Operating Risks

The conflict between the United States, Israel, and Iran and related geopolitical instability may adversely affect our business.

In February 2026, the United States and Israel launched coordinated military strikes against Iran, which retaliated with missile attacks across the region. Although we do not have material operations in the Middle East, the ongoing conflict and any further escalation, including additional military actions, retaliatory measures, sanctions, disruptions to trade or transportation routes, cyberattacks, or other governmental or market responses, has and could continue to lead to significant disruption of global energy supplies and increases in global energy prices, heightened inflationary pressures, and adverse effects on global supply chains, energy markets, commodity prices, currency exchange rates, interest rates, financial markets and overall macroeconomic conditions. While we expect the impacts of conflict between the United States, Israel, and Iran to continue to have an effect on our business, financial condition and results of operations, we are unable to predict the extent or nature of these impacts at this time.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Use of Proceeds

Not applicable.

Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements - (Continued)

Issuer Purchases of Equity Securities

The following table presents information about our repurchases of common stock during the three months ended June 30, 2026.

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as a Part of a Publicly Announced Program (in thousands)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Programs ⁽²⁾ (i)
				n millions)
April 1, 2026 to April 30, 2026	—	\$ -	—	\$ 15.0
May 1, 2026 to May 31, 2026	493	\$ 34.39	—	\$ 15.0
June 1, 2026 to June 30, 2026	—	\$ -	—	\$ 15.0
Total	493			

¹ Separate from the share repurchase program, our stock incentive plans allow for participants to exercise stock options by surrendering shares of common stock equivalent in value to the exercise price due. During the three months ended June 30, 2026, participants surrendered 493 shares of common stock in connection with the exercise of stock options. Any shares surrendered to the Company in this manner are not available for future grant.

² On November 17, 2025, the Company's Board of Directors authorized the repurchase of up to an additional \$15.0 million of the Company's outstanding shares of common stock through December 31, 2027.

From time to time, we have been authorized to repurchase issued and outstanding shares of our common stock under a share repurchase program approved by our Board of Directors. Share repurchases may be made through open-market purchases, privately negotiated transactions or otherwise, at times and in such amounts as management deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements and other market conditions. Repurchase programs may be discontinued or suspended at any time and will be funded using our available cash.

As of June 30, 2026, the Company had \$15.0 million of remaining authorization to repurchase shares through December 31, 2027.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
3.1	<u>Fourth Amended and Restated Certificate of Incorporation (the "Fourth A&R Certificate"), incorporated herein by reference to Exhibit 3.1 to Amendment No. 2 to the Company's Registration Statement on Form S-1 (Registration No. 333-129656), filed with the SEC on January 17, 2006.</u>
3.2	<u>Certificate of Amendment of the Fourth A&R Certificate, incorporated herein by reference to Appendix A to the Company's Schedule 14A, filed with the SEC on January 24, 2023.</u>
3.3	<u>Amended and Restated Bylaws, incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 5, 2022.</u>
10.1	<u>2026 Amendment to the Third Amended and Restated 2006 Omnibus Long-Term Incentive Plan, incorporated herein by reference to Appendix A to the Company's Schedule 14A, filed with the SEC on January 16, 2026</u>
31.1	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.</u>
32.1	<u>Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2	<u>Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101	The following materials from the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2026, formatted in Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statement of Stockholders' Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to the Unaudited Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LIQUIDITY SERVICES, INC.
(Registrant)

August 6, 2026

By: /s/ William P. Angrick, III
William P. Angrick, III
*Chairman of the Board of Directors
and Chief Executive Officer*
(Principal Executive Officer)

August 6, 2026

By: /s/ Jorge A. Celaya
Jorge A. Celaya
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION PURSUANT TO RULE 13a-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, William P. Angrick, III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liquidity Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 6, 2026

/s/ William P. Angrick, III

By: William P. Angrick, III

Title: *Chairman of the Board of Directors and
Chief Executive Officer
(Principal Executive Officer)*

**CERTIFICATION PURSUANT TO RULE 13a-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Jorge A. Celaya, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liquidity Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 6, 2026

/s/ Jorge A. Celaya

By: Jorge A. Celaya

Title: *Chief Financial Officer*
(Principal Financial Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Liquidity Services, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2026 as filed with the Securities and Exchange Commission (the "Report"), I, William P. Angrick, III, Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 6, 2026

/s/ William P. Angrick, III

William P. Angrick, III

Chairman of the Board of Directors and Chief Executive Officer
(Principal Executive Officer)

THE FOREGOING CERTIFICATION IS BEING FURNISHED SOLELY PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 AND IS NOT BEING FILED AS PART OF THE FORM 10-Q OR AS A SEPARATE DISCLOSURE DOCUMENT.

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906, OR OTHER DOCUMENT AUTHENTICATING, ACKNOWLEDGING, OR OTHERWISE ADOPTING THE SIGNATURE THAT APPEARS IN TYPED FORM WITHIN THE ELECTRONIC VERSION OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906, HAS BEEN PROVIDED TO LIQUIDITY SERVICES, INC. AND WILL BE RETAINED BY LIQUIDITY SERVICES, INC. AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Liquidity Services, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2026 as filed with the Securities and Exchange Commission (the "Report"), I, Jorge A. Celaya, Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 6, 2026

/s/ Jorge A. Celaya

Jorge A. Celaya
Chief Financial Officer
(Principal Financial Officer)

THE FOREGOING CERTIFICATION IS BEING FURNISHED SOLELY PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 AND IS NOT BEING FILED AS PART OF THE FORM 10-Q OR AS A SEPARATE DISCLOSURE DOCUMENT.

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906, OR OTHER DOCUMENT AUTHENTICATING, ACKNOWLEDGING, OR OTHERWISE ADOPTING THE SIGNATURE THAT APPEARS IN TYPED FORM WITHIN THE ELECTRONIC VERSION OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906, HAS BEEN PROVIDED TO LIQUIDITY SERVICES, INC. AND WILL BE RETAINED BY LIQUIDITY SERVICES, INC. AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.
