

Investor Presentation

Third Quarter Fiscal Year 2019



Forward-Looking Information

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 year ended September 30, 2018 and subsequent filings with the Securities and Exchange Commission. 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.

To supplement our consolidated financial statements presented in accordance with generally accepted accounting principles (GAAP), we use certain non-GAAP measures of certain components of financial performance. These non-GAAP measures include earnings before interest, taxes, depreciation and amortization (EBITDA), Adjusted EBITDA and revenue excluding DoD contracts. These non-GAAP measures are provided to enhance investors’ overall understanding of our current financial performance and prospects for the future. We use these non-GAAP measures: (a) as measurements of operating performance because they assist us in comparing our operating performance on a consistent basis as they do not reflect the impact of items not directly resulting from our core operations; (b) for planning purposes, including the preparation of our internal annual operating budget; (c) to allocate resources to enhance the financial performance of our business; (d) to evaluate the effectiveness of our operational strategies; and (e) to evaluate our capacity to fund capital expenditures and expand our business. We believe these non-GAAP measures provide useful information to both management and investors by excluding certain expenses that may not be indicative of our core operating measures. These measures should be considered in addition to financial information prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. A reconciliation of all non-GAAP measures included in this presentation to the most directly comparable GAAP measures is included in this presentation.

The following discussion should be read in conjunction with our consolidated financial statements and related notes and the information contained in our Quarterly Report on Form 10-Q for the period ended June 30, 2019.

Who We Are

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



We...

Manage, value, and sell surplus across the globe in a broad range of asset categories and conditions



Maximize return, more efficiently and more strategically



Optimize and execute surplus management strategies to achieve your business goals



The Industry Leader in the Reverse Supply Chain

Trusted by over
12,000
clients worldwide

Experienced in over
500
asset categories and all
asset conditions

Over
\$8 billion
in completed
transactions

Proven
multichannel marketing
& sales strategies for
B2B and B2C


Over
3.5 million
registered buyers

Nearly
700
employees with reach
into nearly 200 countries
and territories


500k
transactions
completed annually


Publicly traded
company (NASDAQ: LQDT)
since 2006

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

SELLERS



For enterprises with used, idle, or excess assets and inventory:

- Expertise and intelligence that achieve high-performance results aligned to strategic goals
- Comprehensive and scalable solutions
- Superior people, processes, and systems to maximize return

BUYERS



For organizations and consumers looking to achieve business or personal goals:

- Convenient access to wide range of assets
- Accurate, comprehensive product information and fair market prices
- Helpful, responsive customer support when it is needed

PLANET



For the planet's natural resources, environment, and beauty:

- Extend life of assets and inventory and increase reuse and recycling
- Prevent unnecessary waste and defer assets from landfills
- Dispose of surplus in environmentally safe manner

Delivering Maximum Value to Sellers

SERVING THE BROADEST BASE OF INDUSTRIES



Aerospace
& Defense



Consumer Brands
& OEMs



Fast-Moving
Consumer Goods



Mining & Large
Construction



Automotive
Manufacturing



Electronics
Manufacturing



Government



Retail



Biopharmaceuticals



Energy



Industrial
Manufacturing



Transportation

OUR VALUE PROPOSITION TO SELLERS



Better Service

Superior levels of industry and asset expertise, responsiveness, intelligence, and analytics that achieve high-performance results aligned to your strategic goals



Better Scale

Complete solutions tailored to your industry's specific requirements that are comprehensive, modular, and scalable, spanning all volumes, asset categories, conditions, sales channels, and locations worldwide



Better Results

Right combination of great people, best-in-class processes, and cutting-edge systems to deliver maximum return today and into the future

Providing Superior Buyer Experiences

BUYERS WE SERVE



Online/Offline Retailers



Resellers



Distributors



Refurbishers



Wholesalers



Small Businesses



Flea Markets



Recyclers

OUR VALUE PROPOSITION TO BUYERS



Superior Product Quality and Information

Large volumes and recurring flows of products; refurbishment services to enhance and ensure product quality; ability to view detailed product information, ask questions, and inspect items



Fair Prices

Auction format ensures assets are sold for fair market value; assets available all over the world, making it easy to keep shipping costs low or pick up items



Excellent Customer Service

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

Market Opportunity*

\$50 Billion*
Retailers & OEMs
(Source: Appriss Retail 2018)

\$3 Billion
U.S Public Sector
(Source: Company Data)

\$8 Billion
Energy
(Source: Company Data)

\$20 Billion
Industrial Capital Assets
(Source: Manfredi & Associates 2015, ACT Research 2016)

\$48 Billion
Transportation
(Source: Company Data)

\$130 Billion Total Addressable Market

Highlighted Sellers Across Industries



Macro-Trends Expanding Our Opportunity

e-Commerce Growth

- Secular growth of online retailers driving increased volume of consumer returns
- Trending appetite for self-directed solutions
- Increasing buyer acceptance of refurbished & secondary market assets

Technology Innovation

- Product obsolescence and shorter product lifecycles
- Greater focus on compliance & transparency
- Higher adoption of digital marketplaces among global B2B buyer markets
- Increasing need for faster disposition cycle

Sustainability

- Environmental Sustainability key goal for commercial & government sellers
- Focus on Zero Waste
- Environmental compliance requires sophisticated tools and reporting
- Extending the useful life of assets of increasing importance

Why Liquidity Services



Return to Organic Growth

Five consecutive quarters of year-over-year
GMV growth
Six consecutive quarters of year-over-year
Adjusted EBITDA** growth



Transforming Go-to-Market

- Asset-light, higher-margin services:
Self-Directed Services
Scan-N-\$ell app
Machinio
- Upsell to Valued-Added Managed Services

GAINING MOMENTUM



Improved Earnings and Financial Position*

Improved GAAP Net Loss by \$5.6 million*
Improved Adjusted EBITDA by \$4.9 million*
Zero Debt



Technology to Capture Buyer Potential

New e-commerce platform (complete)
State-of-the-art marketing technology stack with
enhanced asset promotion (in development)
Consolidated marketplace (in development)
Network effect drives recovery and asset flow

*Results include nine months ended Q3FY19 and comparisons to the prior year nine month period

**Non-GAAP Adjusted EBITDA excludes stock-based compensation expense, acquisition costs such as transaction expenses and changes in earn-out estimates, business realignment expense, deferred revenue purchase accounting adjustments, and goodwill and long-lived asset impairment.

Our Business Model



Compelling Model

- Diversified products, services, and customer mix globally
 - High-volume recurring revenue
 - Asset-light, low-touch self-directed services
 - Value-added managed services
 - Additional services beyond selling assets to create higher-margin revenue streams
 - Network effect drives recovery maximization for sellers and increasing flow of asset supply for buyers
 - High operating leverage on future growth
-

Multiple, Synergistic Revenue Streams

- Consignment Model
- Purchase Model
- Service Revenue
- Buyer Premium Fees

RISE Growth Strategy

A Better Future for Surplus

Our RISE Strategy: Continuing the Momentum

Liquidity Services is building the world's leading marketplace for surplus assets to benefit buyers, sellers and the planet

Our vision rests on executing four pillars of our strategic plan that we refer to as “RISE”



Recovery Maximization

Drive technology and innovation to improve buyer experience



Increase Volume

Expand service offerings, flexible pricing models, and buyer marketing to grow existing and new sellers



Service Expansion

Grow services with recurring revenue, domain expertise, data, and marketplace channels



Expense Leverage

Leverage costs through technology and innovation that increases productivity

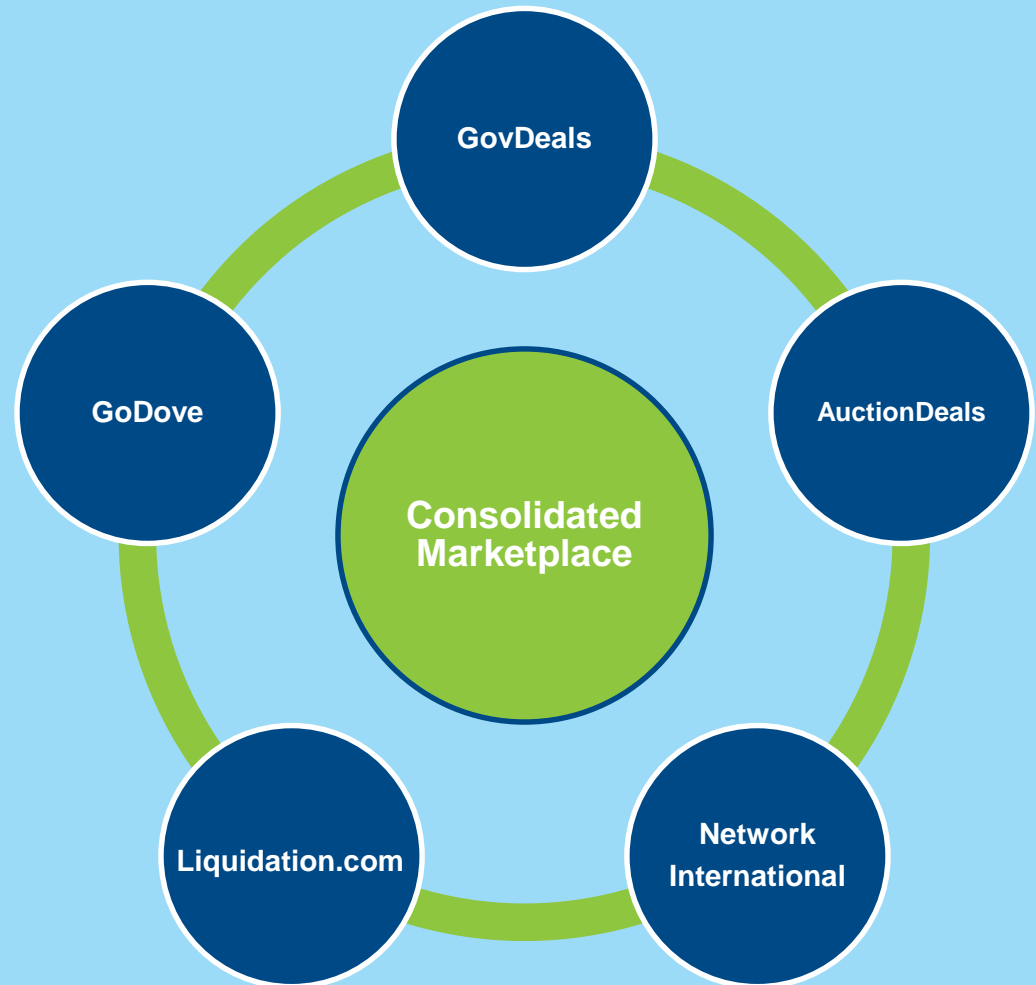
A Transformative eCommerce Platform:

Driving Recovery Maximization & Increasing Volume

Our platform will allow for cross listing of assets across multi-vertical marketplaces enabling buyers access to entire inventory of available assets

Enables current and future backend and operational efficiencies

Enhanced marketing technology will enable greater data collection and analysis, greater ability to drive new buyers, and deeper insight to retain existing buyers



Expected Benefits of a Consolidated Marketplace:

Enabling **Service Expansion** & **Expense Leverage**



FEATURES

- Single Taxonomy
- New Recommendation and Personalization Engine
- Enhanced On-Site Search capabilities
- New A/B Test and Learn abilities
- Mobile First design architecture
- Enhanced Site Monitoring
- Optimized Customer Experience measurement and tracking
- Improved Navigation
- Cross Domain Listing and Bidding Capability
- Centralized Data Warehouse



BENEFITS

- Ability to list assets from across network of marketplace on a single site
- Improved user experience for both sellers and buyers
- Enhanced ability to target market and further capture the available spend of our buyers
- Streamlines our go-to-market strategy to attract new sellers and better serve existing sellers
- Advanced data enables strategic growth initiatives
- Centralization creates opportunities for expense leverage
- Enables continued service expansion

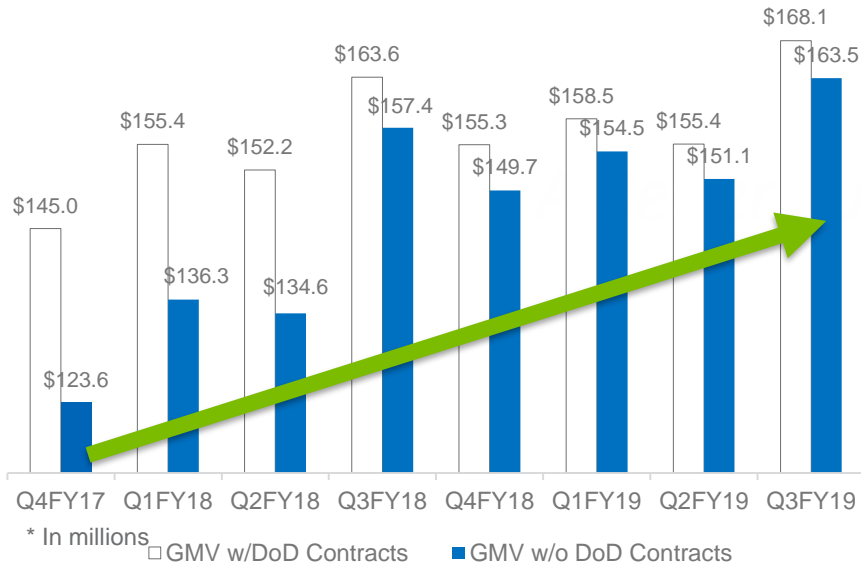
*Features and benefits are expected to coincide with the go-live of our consolidated marketplace.

RISE Drives Improved Topline Results

We have created a more diversified core business as we increase volumes, improve recovery rates and expand our service offerings

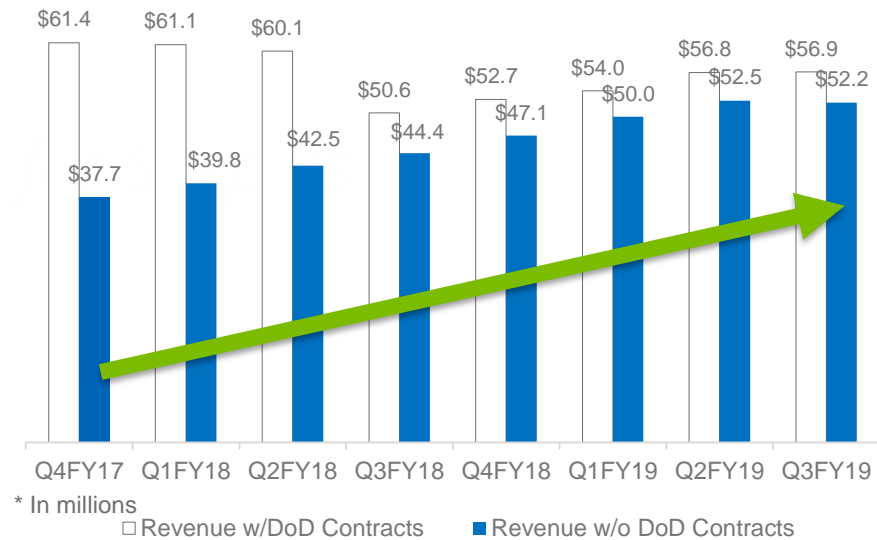
Consolidated GMV Trendline*¹

+32.3% Growth²



Revenue Trendline*³

+38.5% Growth⁴



***Our consolidated GMV grew 32.3% and Revenue grew 38.5% in eight quarters, excluding the DoD Surplus and Scrap Contracts**

1 - For comparison, GMV in white bars includes the DoD Surplus and Scrap contracts and GMV in the blue bars excludes the DoD Surplus and Scrap contracts.

2 - GMV growth rate compares Q4FY17 to Q3FY19, excluding the DoD Surplus and Scrap contracts

3 - For comparison, GAAP Revenue in white bars includes the DoD Surplus and Scrap contracts and revenue in the blue bars excludes the DoD Surplus and Scrap contracts

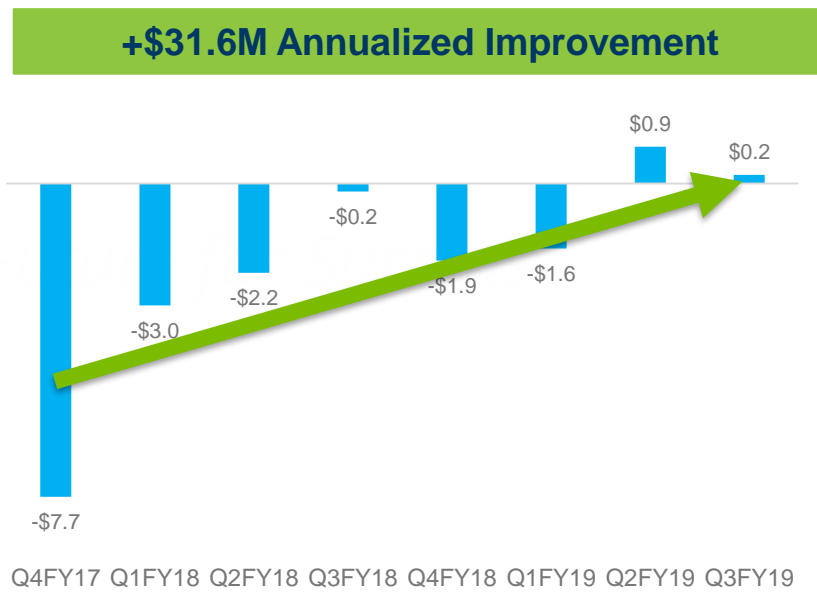
4 - Revenue growth rate compares Q4FY17 to Q3FY19, excluding the DoD Surplus and Scrap contracts

RISE Drives Improved Earnings Results

We have improved bottom-line results through top line improvements, expense leverage, and service expansion as we move to a more asset-light model

GAAP EPS increased 50% per year on average from FY15 to FY18*

Consolidated Adjusted EBITDA Trendline*



* In millions ■ Adjusted EBITDA

We have improved our GAAP EPS by approximately 50% per year for the past four fiscal years and our Adjusted EBITDA grew by \$7.9 million in the past eight quarters.

*The above results include the impact of the completion of the DoD Surplus Contract in Q2FY18. Reconciliation is available on slide 26.

GovDeals Segment Delivers Consistent Growth

Our self-service model for government agencies continues to capture market share

GovDeals Segment GMV Trendline



- GovDeals self-directed model is attractive to state and municipal governments, higher education, and non-profits
- Governments seek streamlined costs, reduced space, digital and green solutions, and improved compliance
- GovDeals is trusted by over 12k sellers as an expert in low-cost, highly-effective government solutions
- We are leading the trend for government sellers to access a mobile-first solution
- Marketing technology will drive more buyer demand
- Q3 is the seasonally high quarter for municipal governments

RSCG Segment is Driving Long-Term Growth

Growth in seller accounts, service expansion, and increased buyer participation sets the trend for growth

RSCG Segment GMV Trendline



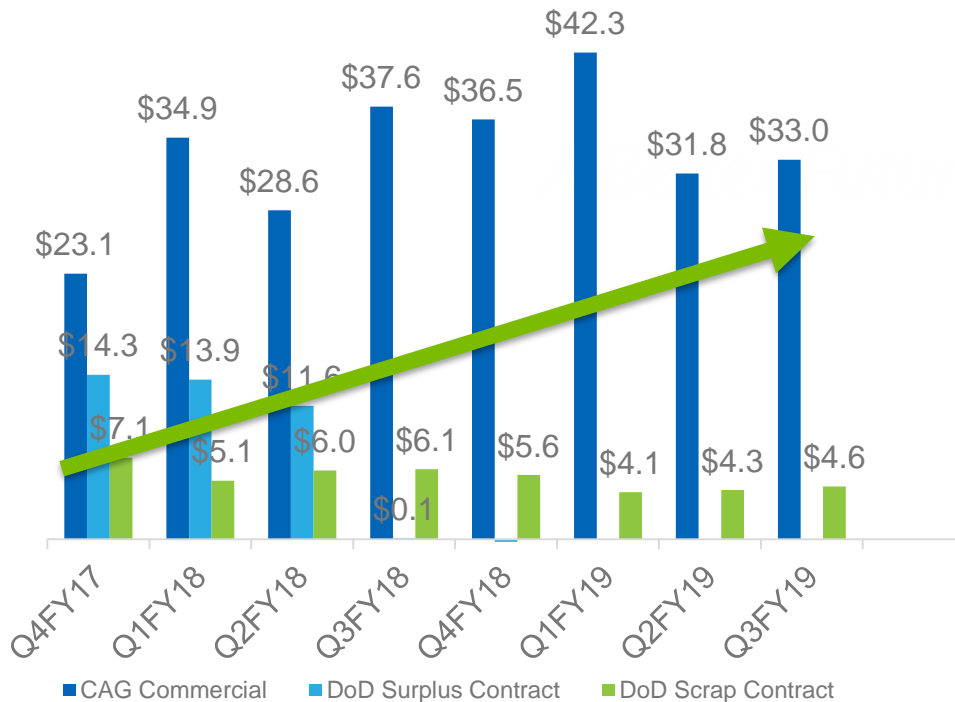
- RSCG has made consistent efforts to create a stronger, more diversified seller base with sustainable pricing terms
- Online e-commerce trends drive increased volume of consumer returns
- Expanding services beyond selling assets to create higher-margin revenue streams while providing greater value to our sellers and buyers
- We solve for the goals of retailers for environmental sustainability
- We provide managed services that meet growing demand for end-to-end solutions
- Increasing buyer acceptance of refurbished and secondary market assets drives growth
- We continue to drive investment and adoption of our technology applications, including Scan.N.\$ell, to enable us to more efficiently offer self-directed solutions
- Q2 is the seasonally high RSCG quarter

CAG Segment Diversified Seller Base

Strong mix of multiple industry vertical relationships

CAG Segment GMV Trendline

+43% CAG Commercial Growth



* In millions

- CAG continues to expand its position in biopharmaceutical and industrial manufacturing
- CAG has launched its self-directed solution, most notably in energy market
- All CAG marketplaces globally on a single technology platform
- Following restructuring in Q4FY17, CAG has grown its commercial GMV 43% (excluding DoD contracts) over eight quarters from Q4FY17 to Q3FY19
- CAG GMV can be lumpy based on timing and project size; Q1 is typically a seasonally high quarter

Machinio Overview



- Machinio aggregates > 1 mil. global used equipment listings worth \$23 B+ and generating 10M+ site visits and 600k qualified seller leads annually
- Subscription model, 1-year term, paid upfront, 85%+ recurring with ~3,000 subscribers
- Recently launched MachineryHost providing dealers with mobile first, online storefront to host equipment inventory and manage online sales leads

Machinio Value Proposition and Rationale

Finding used machinery is hard

Highly **fragmented** market
50+ niche marketplaces
50,000+ standalone websites

Machinio aggregates listings to simplify search



- ✓ Entry into new verticals
- ✓ Expands LSI buyer base
- ✓ Complementary solution for equipment sellers
- ✓ Rich source of data on equipment, buyers and sellers
- ✓ Cross selling opportunities

Financial Results

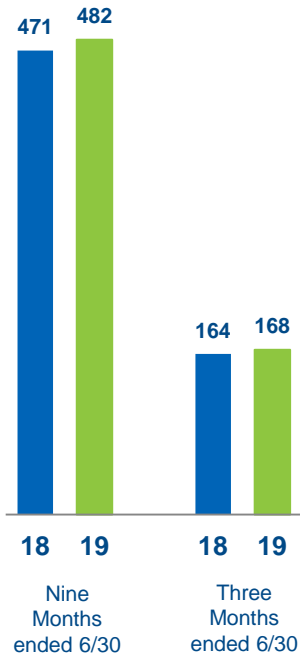
A Better Future for Surplus

Q3 FY19 Consolidated Highlights

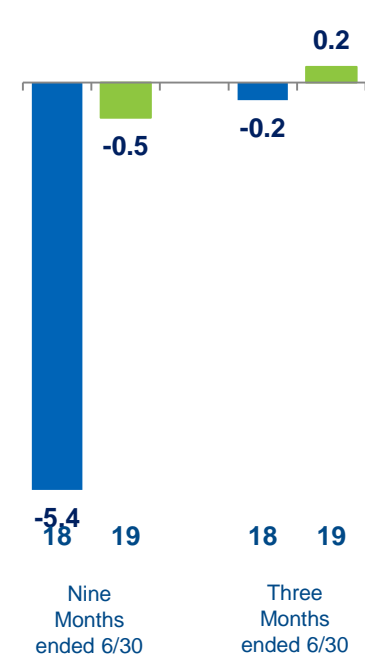
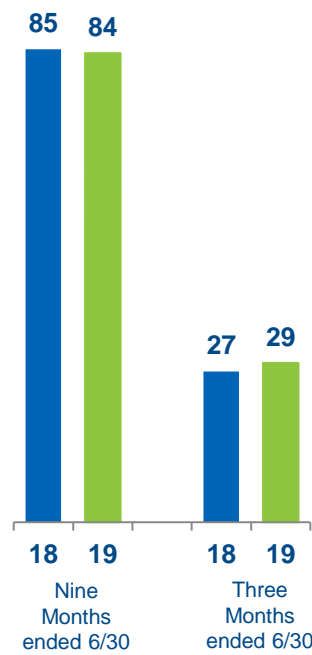
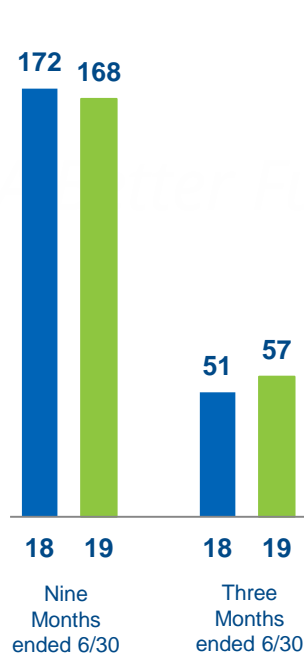
\$ millions



*Nine month increase, excluding DoD Contracts



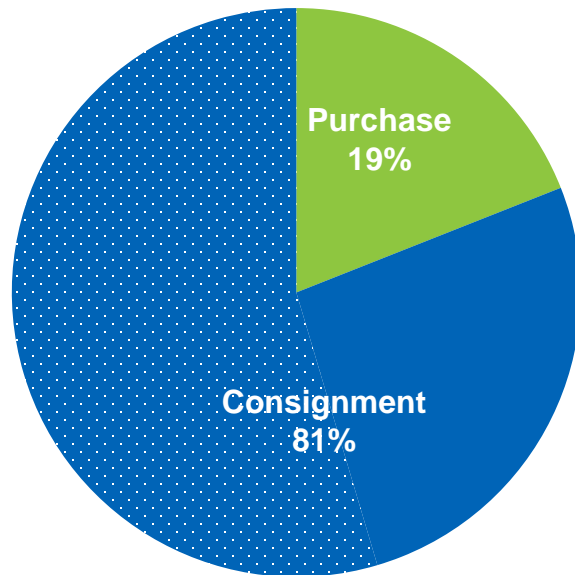
*Nine month increase, excluding DoD Contracts



- (1) For the six months ended March 31, 2018 and 2019 Net Loss was (\$6.9)M and (\$9.4)M respectively. For the three months ended March 31, 2018 and 2019 Net Loss was \$(5.7)M and \$(4.4)M, respectively.
- (2) Consolidated results include the DoD Surplus and Scrap contracts
- (3) See slide #26 for a reconciliation of Adjusted EBITDA

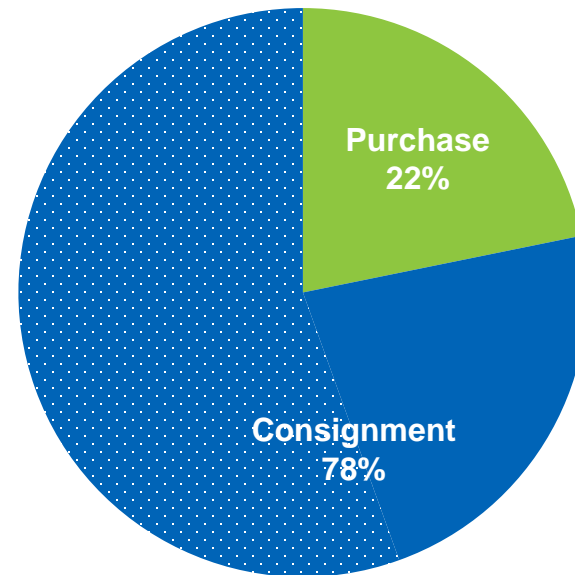
Diversification By Pricing Model

GMV Mix By Pricing Model



■ Purchase ■ Consignment ■ Self-Directed Consignment

Q3 FY18

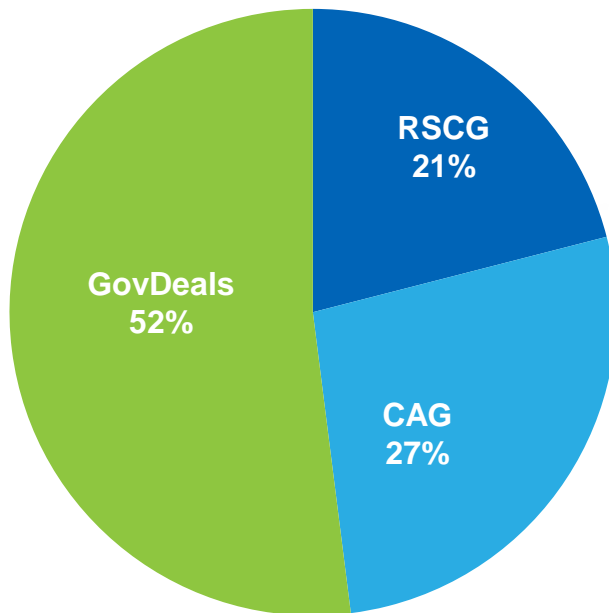


■ Purchase ■ Consignment ■ Self-Directed

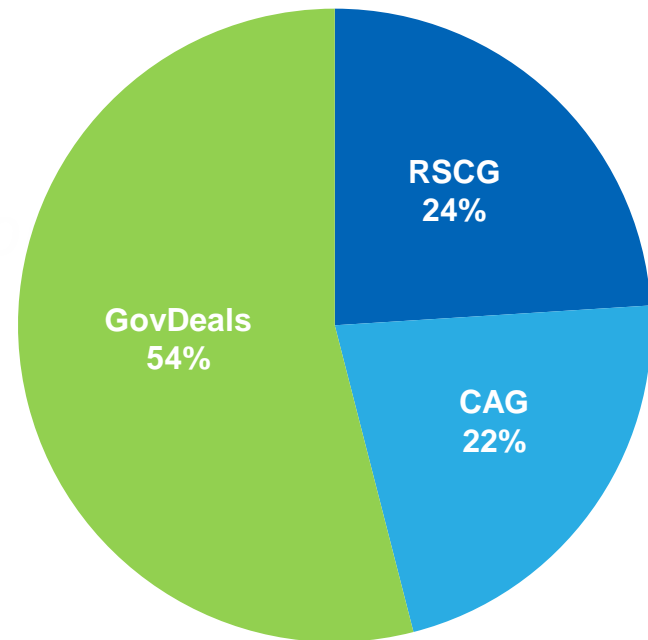
Q3 FY19

Diversification By Segment

GMV Mix by Segment



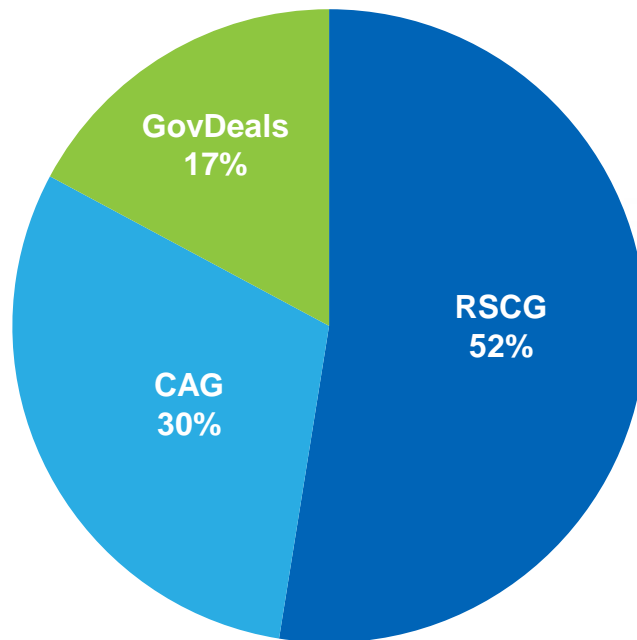
Q3 FY18



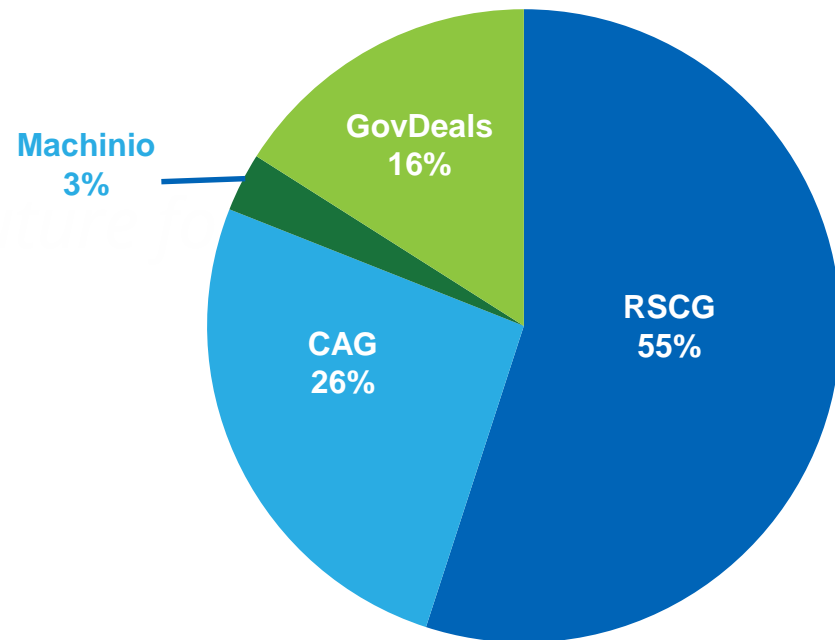
Q3 FY19

Diversification By Segment

Revenue Mix by Segment



Q3 FY18



Q3 FY19

Reconciliation of Financial Data

Adjusted EBITDA Reconciliation									
In Thousands	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Net Income (Loss)	(\$8,614)	(\$13,924)	(\$1,212)	(\$5,655)	(\$3,705)	(\$1,043)	(\$5,022)	(\$4,362)	(\$4,649)
Interest & other expense (income), net	(189)	(71)	(425)	(304)	(47)	326	(233)	(376)	(368)
(Benefit) Provision for income taxes	41	(542)	(4,815)	379	612	(5,504)	266	328	542
Depreciation and amortization	1,365	1,568	1,211	1,144	1,020	1,224	1,204	1,165	1,206
EBITDA	(\$7,397)	(\$12,969)	(\$5,241)	(\$4,436)	(\$2,120)	(\$4,997)	(\$3,785)	(\$3,245)	(\$3,269)
Stock compensation expense	1,563	1,915	930	1,767	1,436	2,463	1,513	2,581	1,362
Acquisition costs and related fair value adjustments and impairment of goodwill and long-lived assets	886	(19)	-	-	204	263	82	38	52
Business Realignment Expense (severance costs)	(234)	3,459	1,349	475	249	(131)	34	5	1,055
Fair value adjustments to acquisition earn-outs*	-	-	-	-	-	-	-	1,300	900
Deferred revenue purchase accounting adjustment	-	-	-	-	-	454	432	258	110
Adjusted EBITDA	(\$5,182)	(\$7,614)	(\$2,962)	(\$2,194)	(\$231)	(\$1,948)	(\$1,724)	\$937	\$210



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