

Grays eCommerce Group 2015 Annual General Meeting

CEO's address – Mark Bayliss

Today I will be discussing Grays' operational achievements in more detail and I will close with comments on the outlook ahead for the current financial year.

I'd like to start by saying that we are really pleased with Grays' operational and financial performance over the 2015 financial year. The results achieved reflected a clear commitment by the entire team at Grays and its business units to transform the business. To all our team members, I'd like to thank you personally for your dedication and hard work across a period of substantial change for our businesses.

Slide 3: FY15 doing what we said we would do

- FY15 was a busy and transformational year for Grays.
- We successfully listed the Grays business in November 2014 and focused on integrating Mnemon and Grays according to our strategy.
- We integrated the Mnemon and Grays businesses on time and to plan.
- In relation to funding, we put in place a \$10m facility with CBA which we are now replacing with a new \$30m facility with ANZ bank.
- In relation to board and management appointments, we welcomed Bernie Campbell to the Board in March and recently appointed David Grbin as Chief Financial Officer and Joint Company Secretary earlier this month. David previously held CFO and Executive Management roles at The Trust Company and Adsteam Marine.
- One of our main focusses has been on growth, and we pursued several initiatives during FY15. We launched grayswine.com.au to capitalise on our strongly performing wine business, and we also acquired two B2B auction businesses. A recent initiative has been the sale of our fixed price retail B2C business to MySale, which will be earnings accretive.

Slide 4: Successfully integrated DealsDirect / Graysonline

- During FY15 we were successful in integrating DealsDirect with Graysonline, leveraging our experience from integrating oo.com.au in 2013.
- There were three main parts to the integration, namely, the office relocation to Homebush, a merger of warehouses and the integration of IT systems.

- This gave us a business with scale, and in an environment of consolidation & aggregation in the online retail space, we recently took advantage of an offer from MySale to sell this business and focus on Auctions.

Slide 5: Expanding Wine offering – profitable B2C

- Our wine business is a profitable B2C business that we are focused on growing. We sell approximately 55,000 cases of wine direct to consumers each month which generated sales in excess of \$31 million in FY15.
- We utilise an extensive network of wineries in Australia and New Zealand and offer wine labels exclusively available to Grays. We also import wines from other geographies including Europe and the Americas.
- Our new wine website grayswine.com.au was successfully launched during the year and we have been pleased with the results so far, having received positive customer reviews.

Slide 6: Acquired DMS Davlan

- To enhance our industrial B2B offering in a key agricultural sector, we acquired DMS Davlan. This acquisition was a strong fit both culturally and strategically and along with the business we acquired a number of highly talented and experienced senior staff members
- DMS Davlan was purchased for an initial payment of approximately \$3 million plus a 2 year earnout. We expect it to be earnings accretive going forward.

Slide 7: B2B is a clear leader in industrial auctions

- When it comes to industrial auctions our B2B business is the market leader
- We are in the enviable position of having the largest B2B online auction marketplace in the Asia Pacific region for used plant and equipment.

Slide 8: Strong growth across key earnings metrics

- While the 2015 financial year was a year of significant transformation for the business, it was pleasing to see that it could continue to grow with revenue up 31% to \$192.9 million and EBITDA up 87% to \$6.9 million
- Given the changes implemented, the company incurred \$6.5 million of business combination costs.

Slide 9: B2B – GEG’s growth engine

- The scale and growth potential of our B2B business is clear when you consider that it generated nearly \$13 million of EBITDA in FY15, which was up 75% on the result in FY14.
- Importantly, earnings grew faster than revenue, reflecting the fixed cost leverage inherent in the business and the success of a number of growth investments undertaken during the year.
- In addition, there was no revenue or earnings included in FY15 for our acquired B2B businesses – DMS Davlan and Bryan Andrews Auctions – with the results from these businesses to flow in the current financial year

Slide 10: B2C – challenging year, with Wine the standout category

- As you can see from this slide, while our B2C businesses grew revenue by 31% to more than \$136 million, the division’s loss increased to over \$1.6 million
- The high fixed cost base and competitive online environment in fixed price retail were the key drivers for the increased loss generated
- Wine was the standout category and profitable

Slide 11: Positive outlook for FY16

- Having transformed the business over FY15, we are now in a strong position to leverage the foundations in place to drive further growth in the current financial year and beyond

Slide 12: Sale of Fixed Price Retail business

- We have already implemented further strategic initiatives to enhance shareholder value in FY16, having agreed to sell our fixed price retail assets to MySale Group as I mentioned a moment ago.
- Grays will receive two payments totalling \$5.2 million, which we anticipate will cover the costs associated with exiting the business. \$3 million has already been received with the remaining \$2.2m due on 31 January 2016.
- Importantly the transaction is earnings accretive excluding a one off write down for goodwill

- The strategic benefits to Grays are significant, with management time and capital freed up to allow us to pursue growth in our key B2B auction segment, while retaining B2C auction categories, in particular wine.

Slide 13: B2B – attractive market fundamentals

- The market for used industrial equipment in Australia is large and growing. We are taking advantage of the move to auctions, which currently represents 31% of sales or \$3.6 billion.
- There are also opportunities for us in South East Asia, a market four times the size of Australia. We believe that the current weaknesses in commodities prices will drive transactions for second-hand equipment

Slide 14: B2B – exciting growth opportunities

- There are four areas in B2B where we are looking to grow:
 - Firstly, increasing market share in existing categories;
 - Secondly, leveraging our existing capabilities to grow into new categories such as agriculture;
 - Thirdly, opportunities to build or acquire complementary businesses both in Australia and the SE Asian region;
 - And lastly, other adjacencies such as Grays Capital where we can utilise our asset monetization expertise to increase revenue opportunities in a carefully controlled way by using our balance sheet

Slide 15: In summary...

- In summary, FY15 was a year of transformation during which we implemented a range of strategic initiatives to position ourselves for future growth
- Having built a strong and integrated platform during FY15, we believe that we are well positioned to take advantage of underlying market fundamentals to drive growth in our core businesses
- Accordingly, we expect our EBITDA from continuing operations in FY16 to comfortably exceed that achieved during FY15

Thank you for taking the time to join us for today's presentation. I would like to invite you to ask questions of either myself or the Board prior to the commencement of voting on the formal business of today's AGM.

- ENDS -

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About Grays eCommerce Group Limited

Grays eCommerce Group Limited is listed on the ASX (ticker: GEG). The company operates two business segments – B2B and B2C.

The B2B business segment comprises the business-facing components of the graysonline brand, the graysasset and graysmining brands, as well as DMS Davlan and Bryan Andrews Auctions. Collectively, these brands are the largest B2B online auction marketplace in the Asia Pacific region for used plant and equipment. The business provides a full range of valuation and project-management functions for a range of clients including major corporations, insolvency practitioners, financiers and banks.

The B2C business segment comprises the consumer-facing components of graysonline, and offers auction-based consumer product sales. Strong relationships with local and international brand owners across numerous product categories are key to its success. Grayswine is the third largest visited online wine site in Australia and through its websites, graysonline.com.au and grayswine.com.au sells more than 6 million bottles of wine each year.

For further information go to www.graysecommercegroup.com.au or www.graysonline.com.au. For further information go to www.graysecommercegroup.com.au or www.graysonline.com.au

Annual General Meeting

25 November 2015

Mark Bayliss – CEO

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Achievements during FY15

Positive outlook for FY16

Questions

Formal AGM

FY15 – doing what we said we would do

ASX listing

- ▶ Listed in November 2014

Grays' DNA

- ▶ Put in place a clear vision, strategy and set of values
- ▶ Established a “People and Culture function”

Streamlined businesses to drive efficiencies

- ▶ Integrated MNZ and Grays businesses
- ▶ Drove efficiencies in B2C

Funding

- ▶ Put in place a new \$10m funding facility with CBA
- ▶ To be replaced by a new \$30m facility with ANZ

Strengthened Board & Executive Management

- ▶ Appointed Bernie Campbell to Board (30+ years finance experience) in March 2015
- ▶ Appointed David Grbin as Chief Financial Officer in November 2015

Progressed strategic growth opportunities

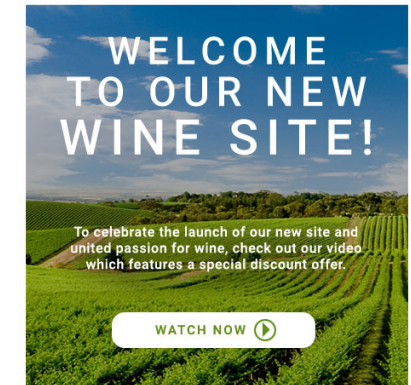
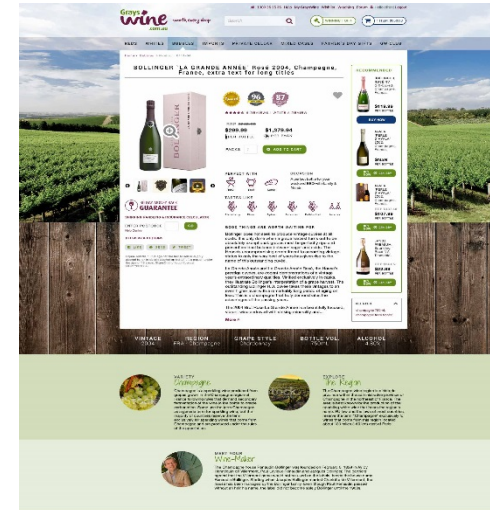
- ▶ Launched a wine specific website - www.grayswine.com.au
- ▶ Acquired Bryan Andrews Auctioneers – Christchurch, NZ based B2B auction house
- ▶ Acquired DMS Davlan – largest regional Australia B2B auction house focused on agricultural machinery

Successfully integrated DealsDirect / Graysonline

- ▶ Utilised experience from acquisition and integration of OO.com.au in April 2013
 - ▶ Over FY15, cross sales between OO's and Grays' data bases totalled \$7.2m
- ▶ Integration of DealsDirect and Grays completed as planned and on time
 - ▶ Office relocated to Homebush end of March
 - ▶ Warehouses merged in Homebush end of May
 - ▶ Information technology platforms consolidated end of May
- ▶ Increased scale of business enabled successful sale to MySale in an online retail market that is consolidating

Expanding Wine offering – profitable B2C

- ▶ 3rd largest¹ online wine site in Australia
- ▶ Strongest consumer category for Graysonline re profitability and brand awareness
 - ▶ sells 55,000 cases of wine direct to consumers per month... generating sales exceeding \$31m in FY15
- ▶ Approximately 80% of wine is sold through online auctions on Graysonline – sets Grays Wine apart from others
- ▶ Services more than 400 wineries in Australia and New Zealand, with 30 labels exclusive to Grays
- ▶ Increasingly importing wines direct from Europe and Americas
- ▶ Winner of CanStar Blue “Most Satisfied Customers Award” for Online Liquor Store
- ▶ Launched **grayswine.com.au** – initial results promising with higher average sell price and positive customer reviews



Acquired DMS Davlan

- ▶ DMS Davlan is a highly respected regional B2B platform in key agricultural vertical – consistent with our focused growth strategy
- ▶ DMS Davlan was a strong strategic and cultural fit for Grays
 - ▶ leader in sale by auction of agricultural machinery
 - ▶ number one remarketing agent of agricultural equipment in Australia
 - ▶ key senior staff are considered agricultural industry experts with local knowledge and networks
 - ▶ national network encompassing regional and remote areas with 15 branches throughout Australia, including 7 key regional locations
- ▶ Consideration totalled approximately \$3m (\$2.8m cash and balance in shares)... plus the possibility of Earn Out payments relating to FY16 and FY17 EBITDA contribution
- ▶ EPS accretive

B2B is clear leader in industrial auctions

- ▶ Largest B2B online auction marketplace in Asia Pacific for used plant and equipment
- ▶ Provides best possible service solutions to clients via strategic relationships with world class industry experts
- ▶ Provides end to end project management for its clients:
 - ▶ Management of major site plant closures[#]
 - ▶ Industrial inventory reduction
 - ▶ Plant & equipment valuation services
 - ▶ OH&S consultancy services
 - ▶ Deep industry and category experience



Australian
Automotive Marketplace



Mobile
Mining Plant



Printing
Machinery

EQUIPNET

Pharmaceutical, Bio,
Medical, Chemical,
Healthcare, Laboratory

[#]Over 2010 and 2011 B2B in co-operation with Hilco, project managed the closure and sale of the Mitsubishi motor vehicle plant at Tonsley Park, SA. Sales and recoveries of \$13.3m were invoiced. GEG and Hilco are well placed to win future foreshadowed automotive plant closure contracts.

Strong growth across key earnings metrics

A\$'000	FY15	FY14	CHG
Gross Sales*	508,629	372,902	+36%
Revenue[#]	192,930	146,750	+31%
EBITDA (pre business combination costs)	6,872	3,670	+87%
Business combination costs	(6,491)	(4,761)	
D&A	(2,632)	(3,712)	
Net interest income	389	221	
Tax benefit	657	555	
NPAT	(1,205)	(4,027)	n/m

* **Gross Sales** is a non statutory measure that is reported to provide greater understanding of the performance of the underlying business. The measure represents the gross sale value of consignment assets auctioned, plus sales of owned inventory.

[#] Revenue represents statutory revenue as prescribed by Australian Accounting Standards.

FY 15 Includes 8 months trading for MNZ and 12 months for Grays under Consumer B2C segment. The contribution from MNZ was revenue of approximately \$44.8m and an EBITDA loss of approximately \$0.9m for the 8 month period.

- ▶ Revenue up 31% to \$192.9m
 - ▶ Strong growth in B2B revenues – up 33%
 - ▶ MNZ contribution since 7 Nov 2014... partly offset by closure of Remarketing division and category optimisation process within OO and consumer auctions
- ▶ EBITDA up 87% to \$6.9m
 - ▶ Strategic initiatives implemented over past two years have been catalyst for B2B growth
 - ▶ B2B growth partially offset by weaker fixed price retail sales run rates
- ▶ Business combination costs of \$6.5m primarily associated with integration of MNZ and Grays... FY14 related to OO.com.au (\$1.8m) and impairment charge asset write down (\$3.0)
- ▶ Amortisation reduced largely due to FY14 asset write down

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B2B – GEG’s growth engine

A\$'000	FY 15	FY14	CHG
Gross Sales*	341,961	226,343	+51%
Revenue	56,320	42,465	+33%
Expenses	43,362	35,043	+24%
EBITDA	12,958	7,422	+75%
EBITDA margin	23.0%	17.5%	

- ▶ Revenue / earnings from two recent acquisitions to flow from FY16
 - ▶ DMS Davlan (Aust) and Bryan Andrews Auctions (NZ)

** Gross Sales is a non statutory measure that is reported to provide greater understanding of the performance of the underlying business. The measure represents the gross sale value of consignment assets auctioned, plus sales of owned inventory*

- ▶ Gross sales up 51% to \$342.0m
 - ▶ Strong H1 continued into H2
 - ▶ Growth in transportation, mining and construction segments
 - ▶ South East Asia contribution
- ▶ Revenue up 33% to \$56.3m
- ▶ EBITDA growing faster than revenue, up 75% to \$13.0m
 - ▶ Leverage in fixed cost base
 - ▶ Properly incentivised and motivated business segment
 - ▶ Benefits flowing from investment in new geographies (WA), premises (WA, Vic, NZ and Qld), senior personnel, and implementation of strategic partners
- ▶ Strong performance of B2B in FY15 has enabled business reinvestment to drive long term growth
 - ▶ New larger premises in Qld and Vic
 - ▶ New senior sales staff and management

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B2C – challenging year, Wine the star category

A\$'000	FY15	FY14	CHG
Gross Sales*	166,668	146,560	+14%
Revenue	136,106	103,787	+31%
Expenses	137,761	104,258	+32%
EBITDA	-1,655	-471	<<
EBITDA margin	-1.2%	-0.5%	

- ▶ FY15 focus on how best to maximise returns from combination of MNZ and Grays B2C businesses
- ▶ Integration was completed May / June 2015 with \$3m+ annualised cost savings expected from FY16

** **Gross Sales** is a non statutory measure that is reported to provide greater understanding of the performance of the underlying business. The measure represents the gross sale value of consignment assets auctioned, plus sales of owned inventory*

FY 15 Includes 8 months trading for MNZ and 12 months for Grays. The contribution from MNZ was revenue of approximately \$44.8m and an EBITDA loss of approximately \$0.9m for the 8 month period.

- ▶ Gross sales up 14% to \$166.7m
 - ▶ MNZ included since Nov 14, partly offset by closure of Remarketing division and reduced sales from optimisation of the consumer auction and OO.com.au businesses
- ▶ Revenue up 31% to \$136.1m
 - ▶ MNZ revenues partly offset by reduced freight recoveries and closure of Remarketing division
- ▶ EBITDA loss of \$1.7m
 - ▶ High fixed cost base and very competitive online environment in fixed price retail
- ▶ Wine has been standout category – very profitable

Achievements during FY15

Positive outlook for FY16

Questions

Formal AGM

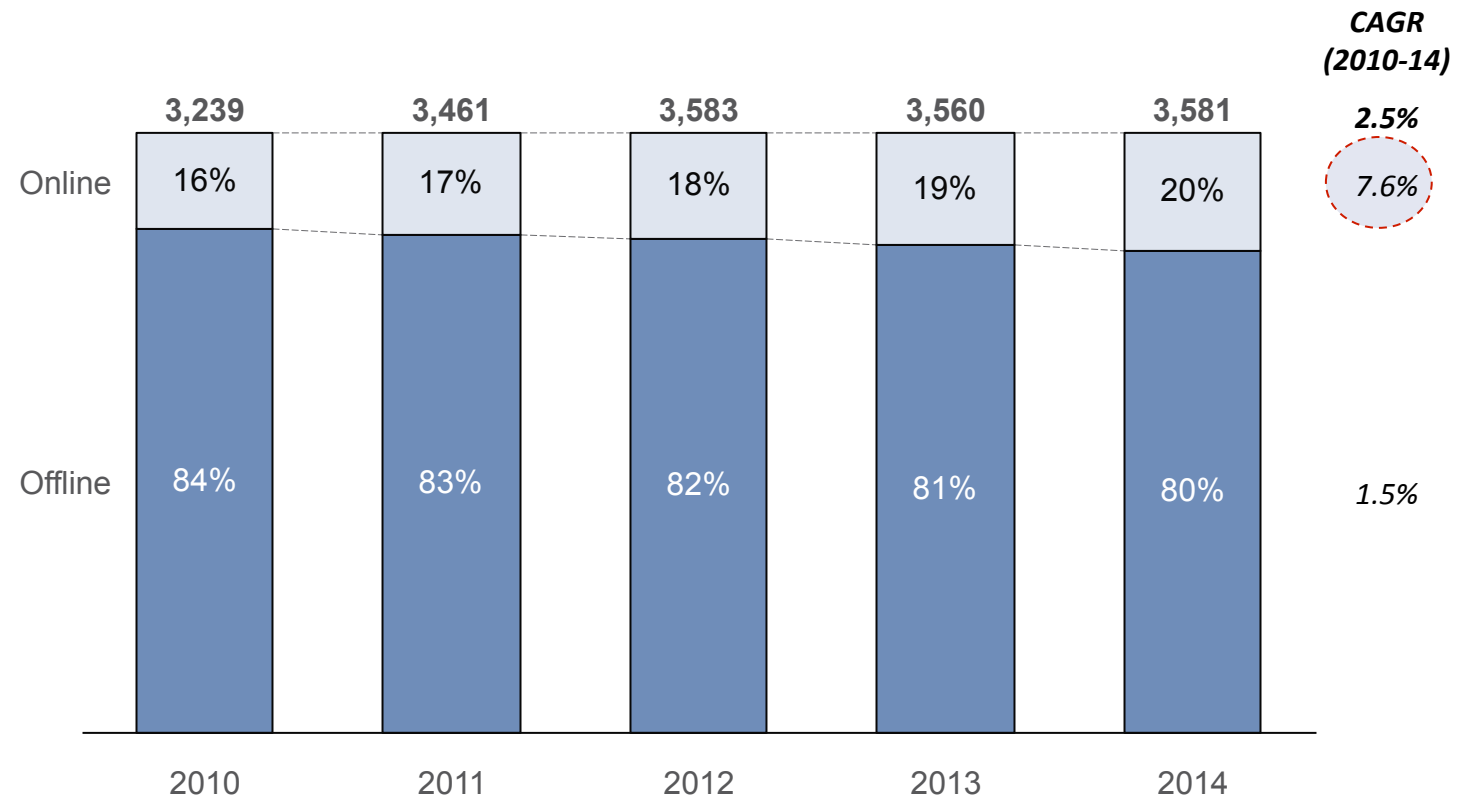
Sale of Fixed Price Retail business

- ▶ Sale of assets of OO.com.au, dealsdirect.com.au and topbuy.com.au to MySale Group plc for \$5.2 million
 - ▶ Consideration will be paid in two instalments - \$3.0 million on execution of formal contracts and \$2.2 million on 31 January 2016
 - ▶ The transaction will be earnings accretive to Grays excluding a one off write down of goodwill
 - ▶ The sale will be cash flow positive, with proceeds from the sale forecast to cover costs associated with exiting the business
- ▶ Strategic decision to sell the business to enhance shareholder value
 - ▶ Frees up management time and resources to focus on building the key auction businesses of Industrial B2B, Grays Wine and remaining consumer auction business
 - ▶ We see our key strengths being centred around online auctions where we are growing scale and capabilities

B2B – attractive market fundamentals

- ▶ The Australian market for used industrial equipment was worth \$11.6bn in 2014
 - ▶ Auctions accounted for 31% or \$3.6bn... and is set to grow to 2017
 - ▶ Online auctions have been growing at a faster pace than offline, and are forecast to continue increasing market share
- ▶ The South East Asian market opportunity for used equipment is even larger and growing, with a value of \$44bn in 2014
 - ▶ Auctions accounted for 16% of channel share, significantly below Australia's 31%, and is set to grow
- ▶ Current weakness in commodity prices will drive surplus of used equipment in second-hand market

Australian auction market for pre-owned equipment:
Breakdown by sales channel, A\$M, (%) FY2010-14



B2B – exciting growth opportunities

Horizontal adjacencies

- ▶ Core market defence and growth of online auctions
- ▶ Key B2B strategic partnerships in place to take advantage of specific category expertise of: Iron Planet; Hilco; Thomas Industries and Equipnet

Vertical adjacencies

- ▶ Continued organic expansion into “hot” categories of mining, construction and transportation
- ▶ Acquisition expansion into new categories – eg DMS Davlan (agribusiness)
- ▶ Implement GEG processes, systems and platforms to grow DMS Davlan
- ▶ Continue to pursue opportunities and grow infrastructures in key growth states of Qld and WA

Adjacent segments

- ▶ New opportunities in related segments that leverage current core competencies
 - ▶ Grays Capital
 - ▶ Grays franchise

Overseas geographies

- ▶ Expansion into new regions deploying 20+ years of experience and world class sales opportunities, plant appraisals and project management
 - ▶ New Zealand – eg acquisition of Bryan Andrews Auctions (South Island)
 - ▶ South East Asia
- ▶ In conjunction with our key strategic partners pursue further opportunities in the South East Asian region

In summary...

- ▶ FY15 – a year of transformation that has put in place platform for future growth
 - ▶ Successfully integrated DealsDirect / Grays – on time and on spec
 - ▶ Significant value unlocked in B2B with strong growth experienced
 - ▶ Acquired DMS Davlan and Bryan Andrews Auctions
- ▶ FY16 – leveraging platform put in place over FY15
 - ▶ Sale of Fixed Price Retail business to MySale allows management to focus on core auction business
 - ▶ Market fundamentals to drive underlying organic growth in B2B
 - ▶ Revenue and earnings from acquired businesses to flow through
 - ▶ Additional benefits expected as a result of strategy execution
 - ▶ Expect FY16 EBITDA > FY15

End

DISCLAIMER Some of the information contained in this presentation contains “forward-looking statements” which may not directly or exclusively relate to historical facts. These forward-looking statements reflect Grays eCommerce Group Limited current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside the control of Grays eCommerce Group Limited.

Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Because actual results could differ materially from Grays eCommerce Group Limited current intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained herein with caution.

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