Grays eCommerce Group

One of Australia's largest listed eCommerce groups

Wilson HTM Rapid Insights
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Grays eCommerce Group (GEG)

One of Australia's largest listed eCommerce groups

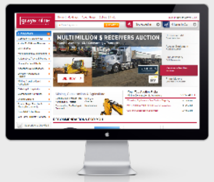
Business to Business (B2B)

- Largest B2B online auctioneer servicing corporates, SMEs, government, banks and finance companies
- Specialising in the efficient valuation and sale of industrial and commercial assets, plant & equipment
- FY15 sales $342m

Business to Consumer (B2C)

- Leading B2C auctioneer
- Market leading wine, hardware, whitegoods, homewares, jewellery, consumer electronics & IT categories
- FY15 sales $167m

$509m
FY15 Sales



33.5m
Annual visits

151k
Active customers

740k
Email subscribers

2m
Customer database

GEG B2C

GraysOnline Consumer & Wine

B2C Business Model

Online consumer sales – most by consignment

- 100% sales are online
- Predominantly auction based sales of consumer products across more than 40 categories sourced direct from manufacturers and distributors
- A collection of brand new, refurbished, end-of-line and excess stock
- Most auctions start from $9 where customers can save of up to 80% of RRP
- Excellent relationships with all local service providers, especially in supply chain/carriers
- Category specialists with extensive product knowledge and excellent merchant / supply chain relationships
- Highly experienced senior management team across general management, sales, marketing, and supply chain

Grays Wine

Third largest online wine seller in Australia

- GEG sells wine through grayswine.com.au and graysonline.com
- One of the largest wine sites by visitation in Australia with over **300,000 page visits every month**
- Strongest consumer category for GraysOnline for profitability and brand awareness:
  - Net promoter score >45
  - Sells **55,000 cases** of wine direct to consumers per month (~2% of bottled wine in Australia)
  - Sold online to end customers through auction or fixed price
  - Low working capital requirements – **80% of sales on consignment basis**
- Product sourced from more than **250 wineries**
- Increasingly importing wines direct from Europe and Americas
- Winner of CanStar Blue "Most Satisfied Customers Award" for Online Liquor Store

Penfolds Wine Sale Examples

Penfolds Rare `Bin 50` Grange Shiraz 1957 (1 x Net 26 FL OZ)

SOLD $8,999.30

Penfolds `Bin 145` Grange Hermitage Shiraz 1953 (1 x1 Pint 6 FL OZ)

SOLD $7,812.58

Penfolds `Bin 95` Grange 1998 (750mL)

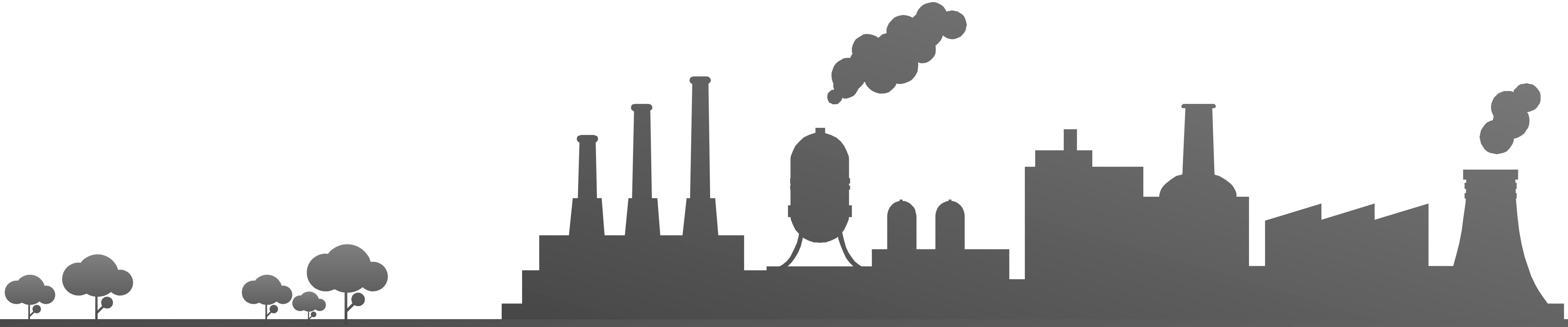
SOLD $750.83

GEG B2B

GraysOnline Industrial

GraysOnline

The clear leader in industrial auctions



Largest B2B online auction marketplace in Asia Pacific for used plant and equipment

Bespoke asset disposal solutions – Industry Specialists

Provides end to end project management for clients

Ability to provide fee-based, guarantees or straight buys to assist clients

Full project management

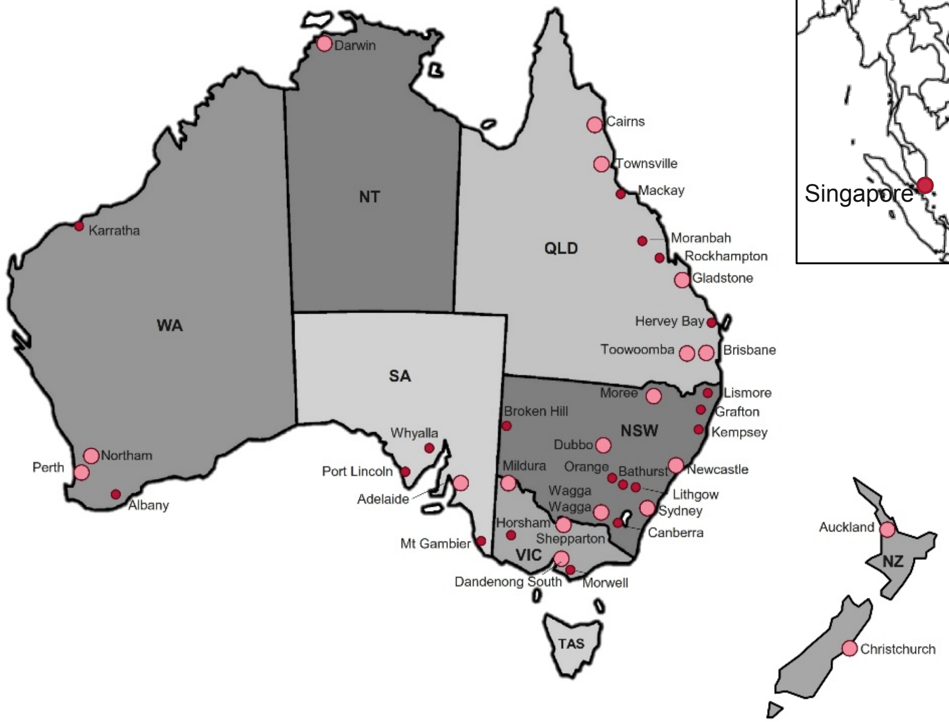
Service geographies span Australasia

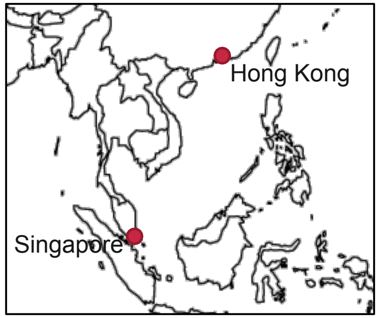
Plant and equipment valuation services

Workplace, Health & Safety consultancy services

GraysOnline

The largest industrial and commercial auction company in Australia





1 **Full national coverage**

19 main offices plus regional depots in Australia & New Zealand. Offices in Singapore & Hong Kong

2 **The most visited auction site in Australia**

1 million unique visitors each month

3 **Largest database**

Email database of over 2 million registered purchasers

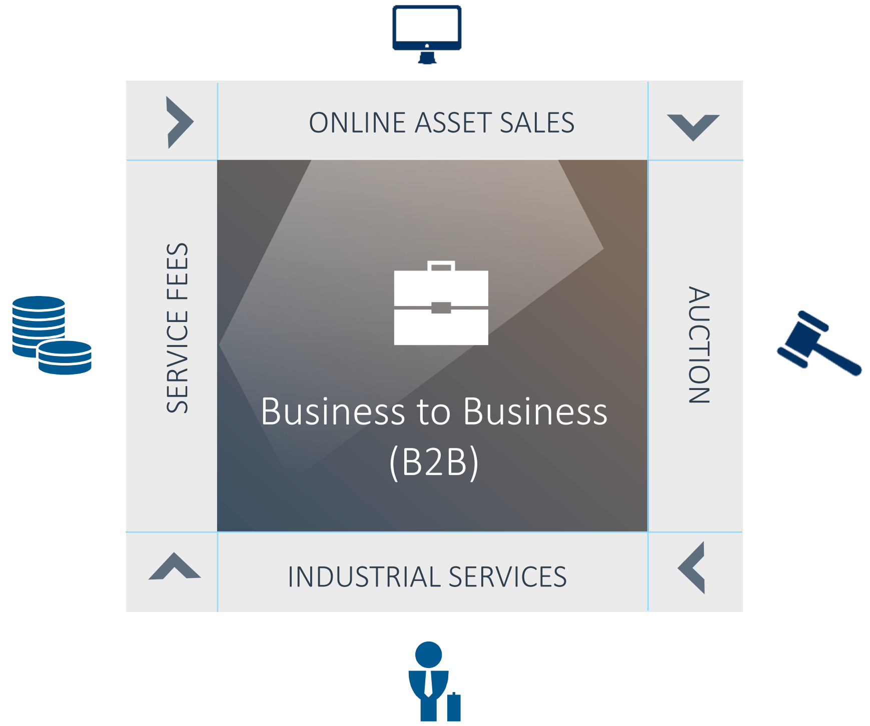
4 **Unrivalled variety of assets**

60+ industry categories. Unmatched by competitors

graysonline.com graysMINING.com graysasset services dms davlan BRYAN ANDREWS (MGAANZ) AUCTIONEER

B2B Business Model

Online asset sales and industrial services



ONLINE ASSET SALES

Predominantly auction based sales of industrial and commercial plant and equipment

- MANUFACTURING & ENGINEERING
- MINING
- AUTOMOTIVE
- CIVIL & CONSTRUCTION
- AGRICULTURE
- TRANSPORT
- FORKLIFTS, WAREHOUSING & LOGISTICS
- AVIATION & MARINE

INDUSTRIAL SERVICES

Valuation and other project management functions

- INVENTORY REDUCTIONS
- MANAGEMENT OF MAJOR SITE CLOSURES
- TENDERS & EOI
- PLANT & EQUIPMENT VALUATIONS
- ASSET AUDITS
- WHS CONSULTING

Meeting Expectations of Vendors and Buyers

The industrial business actively sources equipment and assets for sale into our national marketplace

DEMAND SIDE

Majority Unreserved Content:

- Keep buyer databases in sync with supply side
- By offering the most attractive, dynamically priced content, we become the destination for industrial buyers
- Leverage best-in-market website analytics and marketing principles

SUPPLY SIDE

Our Business Development Teams Source Assets From:

- Corporations (Public & Private)
- Banks and Insolvency Practitioners
- SME's
- Government and Local Councils
- Hedge and Debt Funds

International Alliances

We have been providing clients access to global markets to sell their assets for a number of years
We see further opportunities to significantly grow our sales going forward

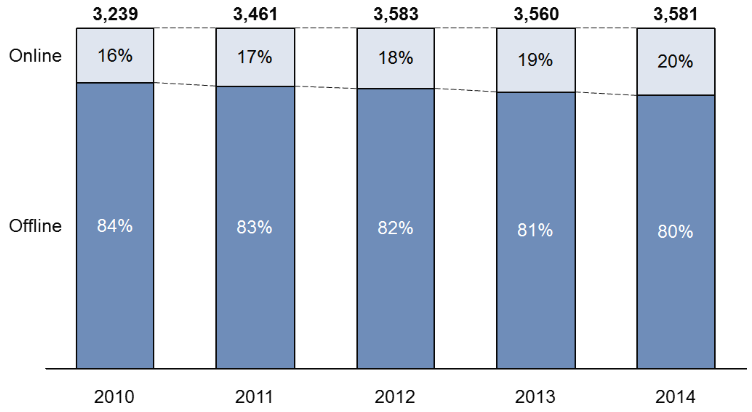
Hilco Industrial	Iron Planet	Thomas Industries	AsiaWorld Shipping Services Pty Ltd	EquipNet
Australian Automotive Marketplace • Car manufacturers in Australia • Previously worked together on Mitsubishi Australia (SA) plant closure • Previous and current joint projects	**Mobile Mining Plant** • Established strategic alliance with IronPlanet for the sale of mobile mining plant & equipment from Australia • $60m worth of sales in last 12 months • Recently renewed international alliance	**Printing Machinery** • Have partnered to market and sell large offset and web printing presses into the international market • Recent successful sale for Focus Press	**Commercial vessels including tugs, barges, and offshore support vessels** • Partnering on case-by-case basis	**Pharmaceutical, Bio, Medical, Chemical, Healthcare, Laboratory** • Partnering on case-by-case basis

Australian & South East Asia B2B Market

Numerous opportunities for growth

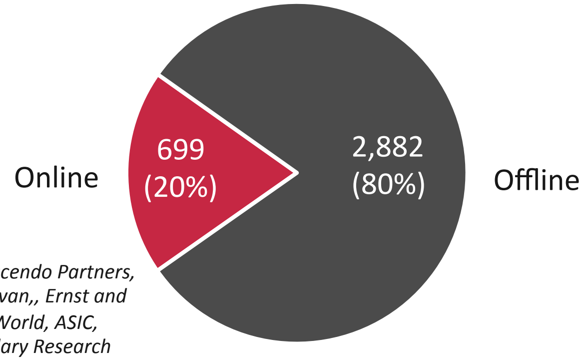
- Australian industrial market expected to remain stable for the next 3 years
- Australian market for used industrial equipment is worth approximately **$11.6B** The auction market accounts for **31%** or **$3.6B** of the total market value (*see adjacent chart*) and set to grow to 2017
- Growth in overall Corporate Asset disposals is to remain stable at **2-3%** through to 2018F and our research indicates we will outperform this figure
- Remainder of the market is composed of the Fixed Price segment, which has no real market leader but makes up the broad majority of market value at **69%** share or **$8B** - GraysOnline are developing new products to convert some of this market
- 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%
- The online channel has grown more than **5x** the rate of offline since 2010 and forecast to increase market share through to 2018F, from 20% to 22%

Australian Auction Market for Pre-Owned Equipment Breakdown by Sales Channel, A$M, (%) FY2010-14



Source: Crescendo Partners, ABS, Frost & Sullivan, Ernst and Young, IBISWorld, ASIC, ABS, Secondary Research

Australian Auction Market for Pre-Owned Equipment Breakdown by Sales Channel, A$M, (%) FY2014

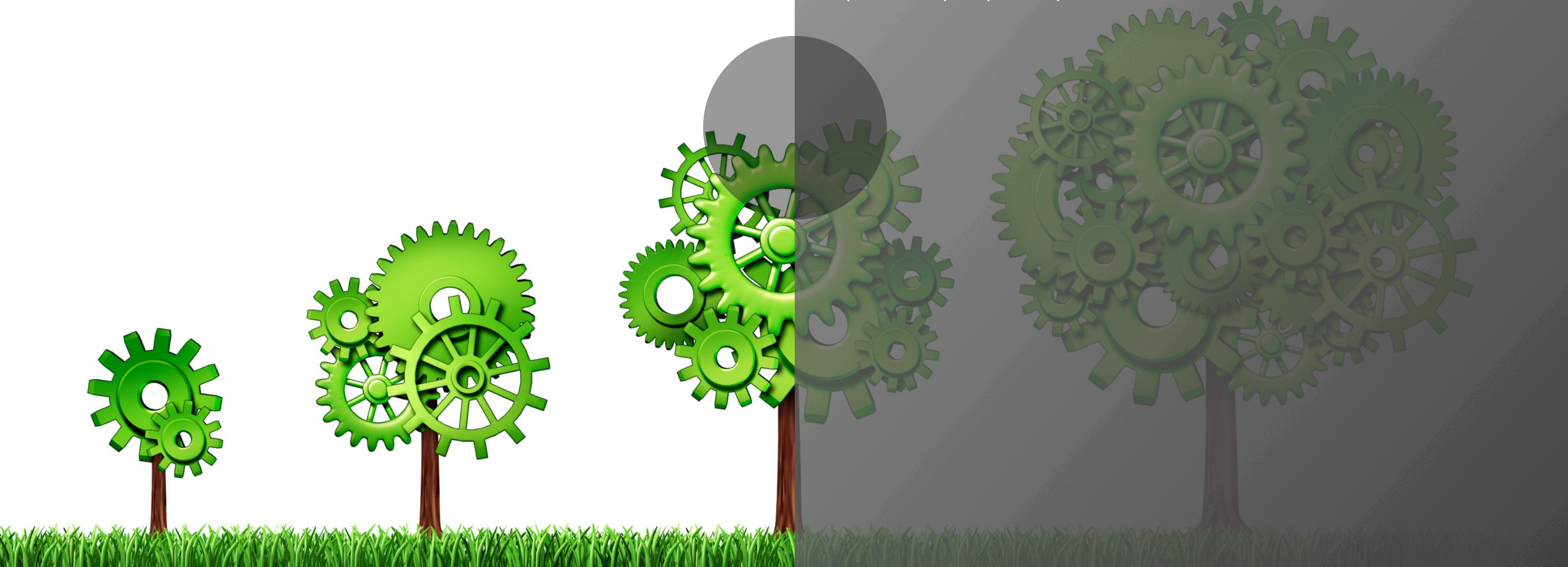


Source: Crescendo Partners, Frost & Sullivan,, Ernst and Young, IBISWorld, ASIC, ABS, Secondary Research

Total Market = A$3.6 Billion

Growth opportunities and outlook

Optimise | Expand | Grow



GEG B2B Growth

Industrial has an exciting growth strategy built around four key areas

Horizontal Adjacencies

- 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 mining, construction and transport categories
- Acquisition expansion into new categories – eg DMS Davlan (agriculture)
- Add new verticals (aviation, marine, parts, real estate)
- Increased depth and market penetration in existing verticals

Adjacent Segments

- New opportunies in related segments that leverage current core competencies

Overseas Geographies

- Expansion into new regions deploying 20+ years of experience and world class sales opportunites, plant appraisals and project management - New Zealand | S.E. Asia

GEG B2B Growth

Significant overall opportunities for long-term sustainable growth in these core categories and a diverse, recurring revenue base. Leveraging local expertise across Australasia

Agriculture

- DMS Davlan acquisition and integration created regional Agri-business vertical and is now driving category revenue growth

Automotive

- Investing in new yards, people and technology

Banking, Insolvency & Finance (BIF)

- Continue to provide and refine our high level of service and access to our industry specialists
- Growth in Mining and Transport sectors
- Seeing an increase in activity in H2 FY16

Civil & Construction

- Ongoing steady workflow of surplus equipment from contractors and completion of civil construction / infrastructure projects.
- Investment made in key staff with civil construction
- Equipment expertise
- Partnering with capital intensive entities to improve their asset utilisation and secure supply of assets for our marketplace

GEG B2B Growth

Mining

- Low commodity prices have resulted in a large quantity of mobile plant and equipment parked-up around Australasia
- Alliance with IronPlanet provides a unique competitive advantage for clients accessing offshore markets through GraysOnline

South East Asia

- Good initial deal flow from the region. Focussing on core verticals to leverage our expertise within Australian team
- Preliminary results are encouraging

Transport

- Significant volumes of large, heavy haulage equipment from servicing the Mining sector
- Good volumes of fleet replacement assets coming through
- Investing in facilities to support category growth nationally

In Summary...

- Transformed from a mix of retail and auction businesses to a predominantly B2B auction focussed business
- Management is focused on our core auction business
- Delivering on B2B growth strategy:
  - H1 FY16 saw continued growth in revenue and earnings
  - Substantial investments made to underpin revenue growth
  - H2 FY16 tracking to plan
- Refocused remaining profitable B2C auction business
- Continue to expect our Continuing Operations EBITDA in FY16 to comfortably exceed that achieved during FY15

Appendix – H1 FY16

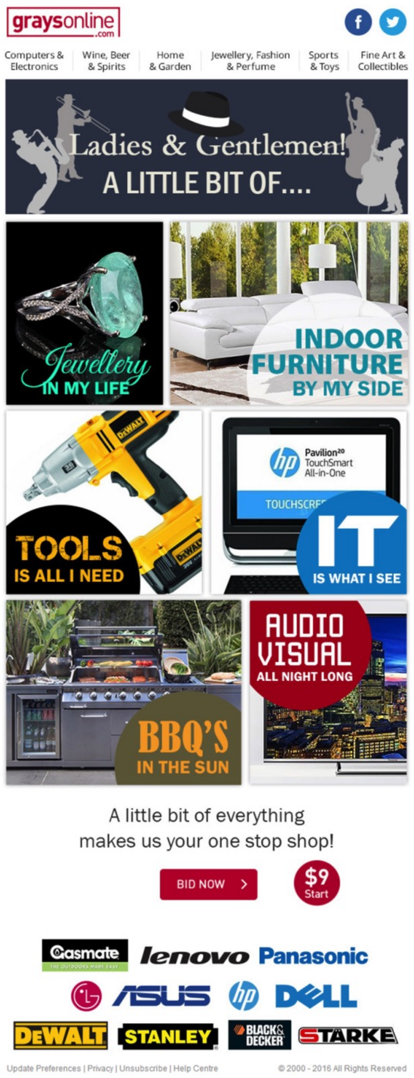
Focusing on Key Strengths

- Transformed from a mix of retail and auction businesses to a predominantly B2B auction focussed business
- Delivering on B2B growth strategy
  - Unlocking value for vendors and customers by providing an efficient and liquid marketplace that allows the monetisation of assets
  - Grays is uniquely placed to do this given its skill sets, relationships and online expertise and capability
- Refocused profitable B2C consumer auction business
  - Implemented new sourcing strategies, cut warehouse space and reduced costs
- Exited fixed price retail (FPR) business with its sale to MySale
  - Given highly competitive market, high fixed costs and customer loyalty dynamics, the chance of growing the business on a sustainable profitable basis was considered low
  - Sale de-risks continuing operations, reduces fixed costs and allows management to refocus and reinvest cash into GEG's growing and profitable auction business

Delivering on B2B Growth Strategy

- Over 30% yoy gross sales growth across key Corporate categories of Auto, Mining & Contracting, and Transport
- Banking, Insolvency & Finance (BIF) revenue, which can fluctuate, down in H1 FY16 vs H1 FY15
  - FY15 benefited from some large insolvency projects
  - H2 FY16 pipeline is strong, with expected revenue from BIF in H2 FY16 > H1 FY16
- Expanded into SE Asia with early feedback showing strong pipeline of potential sale activity
- GraysOnline & Iron Planet alliance
  - Exclusive joint venture arrangement, leveraging our expertise to extend into SE Asia
- DMS Davlan integrated into GraysOnline B2B and underpinning our initial growth into Agricultural vertical
- Invested in new infrastructure, facilities and people to provide long term sustainable growth

A Refocused Profitable B2C Auction Business



- Online consumer auctions in key categories: wine, consumer electronics, IT, appliances, home furnishings, fine jewellery
- Implemented new sourcing strategies to encourage quality supply, improve vendor yield and lift average sale price
- Cut warehouse space and commenced selective outsourcing to reduce costs, manage seasonality in volumes and introduce more variability into cost base
- Net Promoter Score (NPS) up 32% over last 12 months:
  - Increased personalisation of on site experience
  - Introduction of mobile app notification functionality
  - New wine website: grayswine.com.au

Growth in Continuing Operations

A$'000	H1 FY16	H1 FY15	CHG
Continuing operations	62,175	60,204	3.3%
Disposed operations	52,536	39,915	31.6%
Revenue[1]	**114,711**	**100,119**	**14.6%**
EBITDA Continuing ops	8,115	7,422	9.3%
EBITDA Disposed ops	(7,879)	(1,708)	
EBITDA	**236**	**5,714**	
Significant items	(24,982)	(2,988)	
D&A Continuing ops	(821)	(1,100)	
D&A Disposed ops	(795)	(53)	
Net interest income	20	217	
Tax benefit/(expense)	4,381	(555)	
NPAT	**(21,961)**	**1,235**	

1: Revenue represents statutory revenue (excluding interest income) as prescribed by Australian Accounting Standards
2: Continuing: B2B and B2C (consumer auction and wine). Disposed: Fixed Price Retail business (00.com.au, dealsdirect.com.au, topbuy.com.au)

- To better understand Grays' H1 FY16 result, we have split the financials into "Continuing Operations" and "Disposed Operations" (see footnote 2, below)
- Revenue from Continuing Operations was up 3.3% to $62.2m due to growth in Auto, Transport and Mining B2B segments and DMS Davlan acquisition
- EBITDA from Continuing Operations up 9.3% to $8.1m due to cost savings in B2C offsetting increased investment into B2B resources to support growth initiatives
- Performance of Disposed Operations reflects full 6 months in H1 FY16 vs 7 weeks in H1 FY15, plus a managed run down of inventory
- Significant items of $25.0m (pre-tax) includes loss on sale of FPR [$13.1m], onerous leases [$6.6m], inventory liquidation [$1.9m], other business closure costs [$3.4m]
- Carried forward revenue tax losses at 31 Dec 15 approximately $13m. We do not expect to pay cash tax until FY18. Does not include capital loss on sale of FPR. Estimated capital loss $11m

Continuing Operations Revenue and EBITDA Grew from H1 FY15 to H1 FY16

We expect H2 FY16 Continuing Operations EBITDA > H2 FY15, with seasonal shift to H2 in FY16

$'000 AUD		B2B	B2C	Corporate	Continuing Operations	Disposed Operations	Total GEG
First Half 2016	**Revenue**	**36,050**	**26,125**		**62,175**	**52,536**	**114,711**
	EBITDA	**9,041**	**1,338**	**(2,264)**	**8,115**	**(7,879)**	**236**
First Half 2015	Revenue	29,750	30,454		60,204	39,915	100,119
	EBITDA	8,616	1,255	(2,449)	7,422	(1,708)	5,714
Second Half 2015	Revenue	26,412	23,346	231	49,989	42,345	92,334
	EBITDA	4,342	1,018	(1,983)	3,377	(2,220)	1,157
Full Year 2015	Revenue	56,162	53,800	231	110,193	82,260	192,453
	EBITDA	12,958	2,273	(4,431)	10,800	(3,928)	6,872

B2B Growth Reflects Successful Execution of Strategic Plan

A$'000	H1 FY16	H1 FY15	CHG
Continuing operations			
Gross sales*	230,035	196,159	17.3%
Revenue#	**36,050**	**29,750**	**21.2%**
Expenses	(27,009)	(21,134)	(27.8%)
EBITDA	**9,041**	**8,616**	**4.9%**
EBITDA margin	25.1%	29.0%	(13.4%)

** 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*

 # This is statutory revenue excluding interest income, refer to Operating Segments note in the half year financial report

- B2B revenue streams comprise:
  - Corporate – regular, recurring revenue
  - BIF – transactional based revenue
- Revenue up 21.2% to $36.1m due to:
  - Agricultural vertical – integration of DMS Davlan
  - 30% gross sales growth across core vertical markets following successful initiatives (Auto, Mining and Contracting, Transport)
  - Weaker performance in BIF due to H1 FY15 benefiting from timing of some large contracts. H2 FY16 pipeline is strong
  - Increased use of Guarantees and Buys
- Expenses up $5.9m to $27.0m reflecting acquisitions, new facilities to support growth in Auto, and cost of sales on own inventory
- H1 FY16 margin decrease due to integration of DMS Davlan and seasonal shift away from BIF revenue. Over H2 FY16 expect margins to recover and FY16 margins to exceed FY15 levels

B2C (Continuing Operations)

Realigned, Improving Margin

A$'000	H1 FY16	H1 FY15	CHG
Continuing operations			
Gross sales*	37,799	41,030	(7.9%)
Revenue#	**26,125**	**30,454**	**(14.2%)**
Expenses	(24,787)	(29,199)	15.1%
EBITDA	**1,338**	**1,255**	**6.6%**
EBITDA margin	5.1%	4.1%	24.4%

** **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*

 # This is statutory revenue excluding interest income, refer to Operating Segments note in the half year financial report

- Revenue down 14.2% to $26.1m due to:
  - Re-weighting of stock levels to match key B2C categories
  - Major event sales in H1 FY15 not repeated during H1 FY16
- Expenses down $4.4m or 15.1% - due lower revenue and efficiencies in warehousing and logistics

B2C (Disposed Operations)

Controlled Inventory Sell-Down

A$'000	H1 FY16	H1 FY15	CHG
Disposed operations			
Gross sales*	50,743	36,804	37.9%
Revenue	**52,536**	**39,915**	**31.6%**
Expenses	(60,415)	(41,623)	(45.1%)
EBITDA	**(7,879)**	**(1,708)**	
EBITDA margin	(15.0%)	(4.3%)	

** **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. It is lower than statutory revenue as it does not include recoveries (eg freight)*

 # This is statutory revenue excluding interest income, refer to Operating Segments note in the half year financial report

- H1 FY16 loss > H1 FY15 due to:
  - H1 FY15 only 7 weeks trading. On a like-for-like basis H1 FY15 loss approximately $2.2m
  - Increased variable costs – freight, warehouse and marketing
  - Lower delivered margin to de-risk inventory sell down, clear inventory across all categories and match seasonal demand
- Sale of FPR expected to reduce total annual GEG cost base (excluding COGS and freight) by approximately 28%
- Net FPR inventory after provisioning at 31 Dec 15 was $1.6m (30 Jun 15: $11.6m)
  - Will be reduced to nil in H2 FY16
  - Effect of inventory liquidation included in H1 FY16 as a significant item (provision for inventory liquidation)
- As the FPR business did not cease trading until the end of Jan 16, we expect further operating losses (pre-tax) in the second half in the range of $1.5m to $1.7m

Corporate Costs

A$'000	H1 FY16	H1 FY15	CHG
Continuing operations			
Corporate costs	(2,264)	(2,449)	7.5%

- Corporate costs include Board, senior executive team, legal, company secretarial and public company fees
- All expenditure relating to HR, Finance and IT has been allocated to B2B or B2C where appropriate
- Corporate costs were down in H1 FY16 due to reduction in corporate headcount, partly offset by full half of additional expenses associated with being an ASX listed entity

Significant Items

Majority Non-Cash

A$'000 (Pre-tax)	H1 FY16	Cash	Non-cash
Sale of FPR – loss on sale			
Proceeds on sale	5,200	5,200	
Goodwill sold	(16,060)		(16,060)
Intangibles sold (customer database, software)	(1,526)		(1,526)
Assets sold (capitalised web development & software)	(665)		(665)
Net loss on sale of FPR	(13,051)	5,200	(18,251)
Recognition of onerous contracts upon disposal	(6,605)		(6,605)
Provision for inventory liquidation	(1,870)		(1,870)
Other costs including employment terminations	(3,260)	(3,260)	
Acquisition and integration costs	(196)	(196)	
Total significant items	**(24,982)**	**1,744**	**(26,726)**

Balance Sheet Movements Reflect Business Transformation

A$'000	31 Dec 2015	30 Jun 2015
Cash	6,829	6,989
Inventories	10,048	15,288
Receivables	14,809	10,021
Non-current assets	30,876	40,298
Total assets	**62,562**	**72,596**
Trade & other payables	36,530	25,054
Borrowings	2,447	-
Provisions	6,117	8,513
Net assets	**17,468**	**39,029**

- Inventory (net of provisions) analysis:
  - Disposed operations: $1.6m balance at 31 Dec 15 compared with $11.6m at 30 Jun 15 due to managed inventory sell down
  - Continuing operations: $8.4m balance at 31 Dec 15 compared with $3.6m at 30 Jun 15 mainly B2C (Continuing Operations) restocking popular lines – for example, power tools and outdoor furniture - to benefit from seasonal growth over 2H FY16
- Receivables increase: $2.2m FPR sale proceeds received early Feb 16
- Non-current assets decrease: -$18.3m FPR assets sold partly offset by $4.7m increase re DMS Davlan and $4.6m increase of deferred taxes (set up of tax losses)
- Payables increase: $6.6m lease contracts; $1.1m FPR restructuring provisions, $1.1m other significant items accrued; trade creditors grew with increase in B2C (Continuing Operations) inventory; partly offset by reduction in FPR trade creditors
- Borrowings increase: DMS Davlan acquisition Jul 15
- Provisions decrease: payment of FY15 tax and pay out of employee entitlements following FPR sale

Solid Cash Flows from Continuing Operations

H1 FY16 (A$'000)	Continuing Operations	Disposed Operations	GEG
Opening net cash			**6,989**
EBITDA (excluding significant items)	8,115	(7,879)	236
Working capital movement			
▪ Receivables	(756)	(162)	(918)
▪ Inventory	(4,725)	7,790	3,065
▪ Prepayments	(1,215)	-	(1,215)
▪ Payables	6,600	(4,549)	2,051
▪ Provisions	(2,312)	511	(1,801)
▪ Significant items (operating cash)	-	(1,580)	(1,580)
Operating cash flows before interest and tax	**5,707**	**(5,869)**	**(162)**
Net interest income			20
Income taxes paid relating to FY15			(1,664)
Statutory operating cash flows			**(1,806)**
Acquisition of DMS Davlan			(2,697)
Significant items (financing cash)			(196)
Capital expenditure			(908)
Proceeds from FPR sale			3,000
Statutory investing cash flows			**(801)**
Closing net cash			**4,382**

- $5.7m of operating cash flows generated from Continuing Operations, $2.4m less than EBITDA of $8.1m. Mainly due to FY15 short-term incentive payments of around $2m from a strong B2B performance in FY15, paid in H1 FY16
- Inventory/Payables movements: +$4.8m increase in Continuing Operations B2C inventory and payables; decrease in Disposed Operations inventory and payables from FPR sell down
- Significant items: FPR redundancies
- Purchase of DMS Davlan was debt funded
- Proceeds from FPR sale $3.0m in Nov 15. An additional $2.2m was received in early Feb 16
- Capex: web development costs and leasehold improvements
- New $30m banking facility in place with ANZ to support growth initiatives

Unlocking Value

Grays eCommerce Group (ASX:GEG) is one of Australia's largest listed eCommerce groups.
Grays eCommerce Group is well positioned to be the leading online international auctioneer.

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graysasset services

graysonline.com

graysMINING.com

dms davlan

BRYAN ANDREWS (MGAANZ) AUCTIONEER