

# Full Year 2015 results

25 August 2015

Mark Bayliss – CEO

grays~~x~~ecommercegroup

A busy 12 months putting in place the  
platform for growth

Strong financial position

Positive outlook for FY16

# 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, \$3m+ annual cost savings to flow from FY16

## Funding

- ▶ Put in place a new \$10m funding facility with CBA

## Strengthened Board

- ▶ Appointed Bernie Campbell (30+ years finance experience) in March 2015

## Progressed strategic growth opportunities

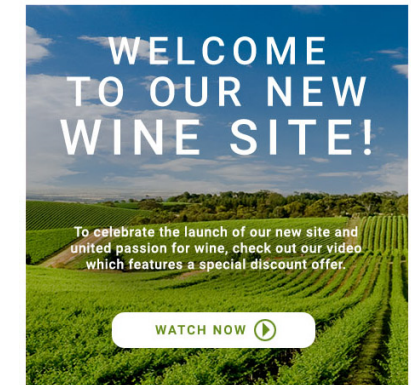
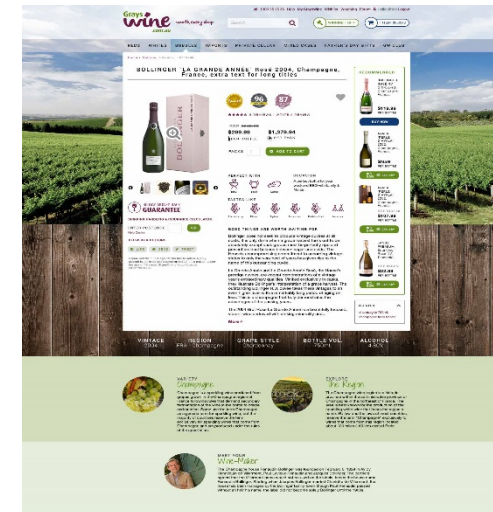
- ▶ Launched a wine specific website - [www.grayswine.com.au](http://www.grayswine.com.au)
- ▶ Acquired Bryan Andrews Auctioneers – Christchurch, NZ based B2B auction house
- ▶ Acquired DMS Davlan – largest regional Australia B2B auction house focused on agricultural machinery

# 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
- ▶ Annual cost savings of \$3m+ (across back office, warehouse, IT, and customer service) to be realised from FY16
- ▶ Revenue cross sale opportunities ready to flow between DealsDirect, Grays and OO customer bases

# Expanding Wine offering – profitable B2C

- ▶ 3<sup>rd</sup> largest<sup>1</sup> 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
- ▶ Expanding wine offering on DealsDirect, replicating success of OO
- ▶ 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<sup>#</sup>
  - ▶ 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

*<sup>#</sup>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.*

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# Strong growth across key earnings metrics

A\$'000	FY15	FY14	CHG
Gross Sales*	508,629	372,902	+36%
<b>Revenue<sup>#</sup></b>	<b>192,930</b>	<b>146,750</b>	<b>+31%</b>
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	
<b>NPAT</b>	<b>(1,205)</b>	<b>(4,027)</b>	<b>n/m</b>

\* **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.

<sup>#</sup> 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%
<b>Revenue</b>	<b>136,106</b>	<b>103,787</b>	<b>+31%</b>
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

## Corporate costs

A\$'000	FY15	FY14	CHG
Corporate costs	4,431	3,281	+35%

- ▶ Corporate costs include Board, senior executive team, legal, company secretarial and public company fees
- ▶ At H1 FY15, "Corporate costs" also contained all expenditure relating to HR, Finance and IT... these have now been allocated to B2B or B2C where appropriate (with FY14 restated accordingly)
- ▶ Corporate costs were up 35% due to additional costs of being a listed entity (from Nov 14) including Board director fees, ASX listing and other professional fees

## Transaction and merger integration costs

A\$'000	FY15	FY14	CHG
Transaction and merger integration costs	6,491	4,761	+36%

- ▶ MNZ transaction costs \$2.9m
- ▶ Redundancy payments \$1.5m
- ▶ Warehouse relocation, security and duplicated rent \$1.1m
- ▶ Integration and project management support for single operating system and platform \$1.0m
- ▶ FY14 relates to integration of OO.com.au (\$1.8m) and impairment of asset (\$3.0m)

# Strong balance sheet

A\$'000	30 June 2015	30 June 2014	CHG
Current Assets	32,298	19,536	+65%
Total Assets	72,596	38,153	+90%
Net Assets	39,029	8,472	+361%
Cash	6,989	1,488	+370%
Capex	2,591	3,157	-18%

- ▶ Current assets up 65% to \$32.3m
  - ▶ Increase in inventories from merger, offset by increase in trade creditors
- ▶ Total assets up 90% to \$72.6m
  - ▶ Intangibles of \$24m recognised on acquisition
- ▶ Capex down 18% to \$2.6m
  - ▶ Key expenditures on software and office relocations
- ▶ No debt
- ▶ Cash of \$7.0m (FY14: \$1.5m)

# Cash flows

A\$'000	FY15
<b>Cash flows from operations *</b>	6,950
Less: post merger alignment of MNZ creditors net of inventory merger efficiencies	(9,186)
Operating cash flows reported in Financial statements	(2,236)
Add: cash received from reverse acquisition #	5,867
Merger transaction and implementation costs	(6,491)
Plant equipment and software acquired net of proceeds of sale	(2,541)
	<b>(5,401)</b>
Add investing cash flows that relate to pre merger recapitalisation and tidy up of Grays (Aust) Holdings Pty Limited	10,902
Net cash flows for the 12 months to June 2015	5,501
Add: opening cash	1,488
<b>Cash Balance as at 30 June 2015</b>	<b>6,989</b>

- ▶ Post merger, creditor terms and inventory levels were normalised to that of an ongoing operation
  - ▶ Working capital required was \$9.2m
  - ▶ Cash acquired on acquisition was used to part fund the normalisation
- ▶ Cash flows from operations\* of \$7.0m is above that of FY14 (\$6.2m)
- ▶ Plant and equipment purchases includes expenditures for new premises fit-out in Qld and Vic

A busy 12 months putting in place the platform  
for growth

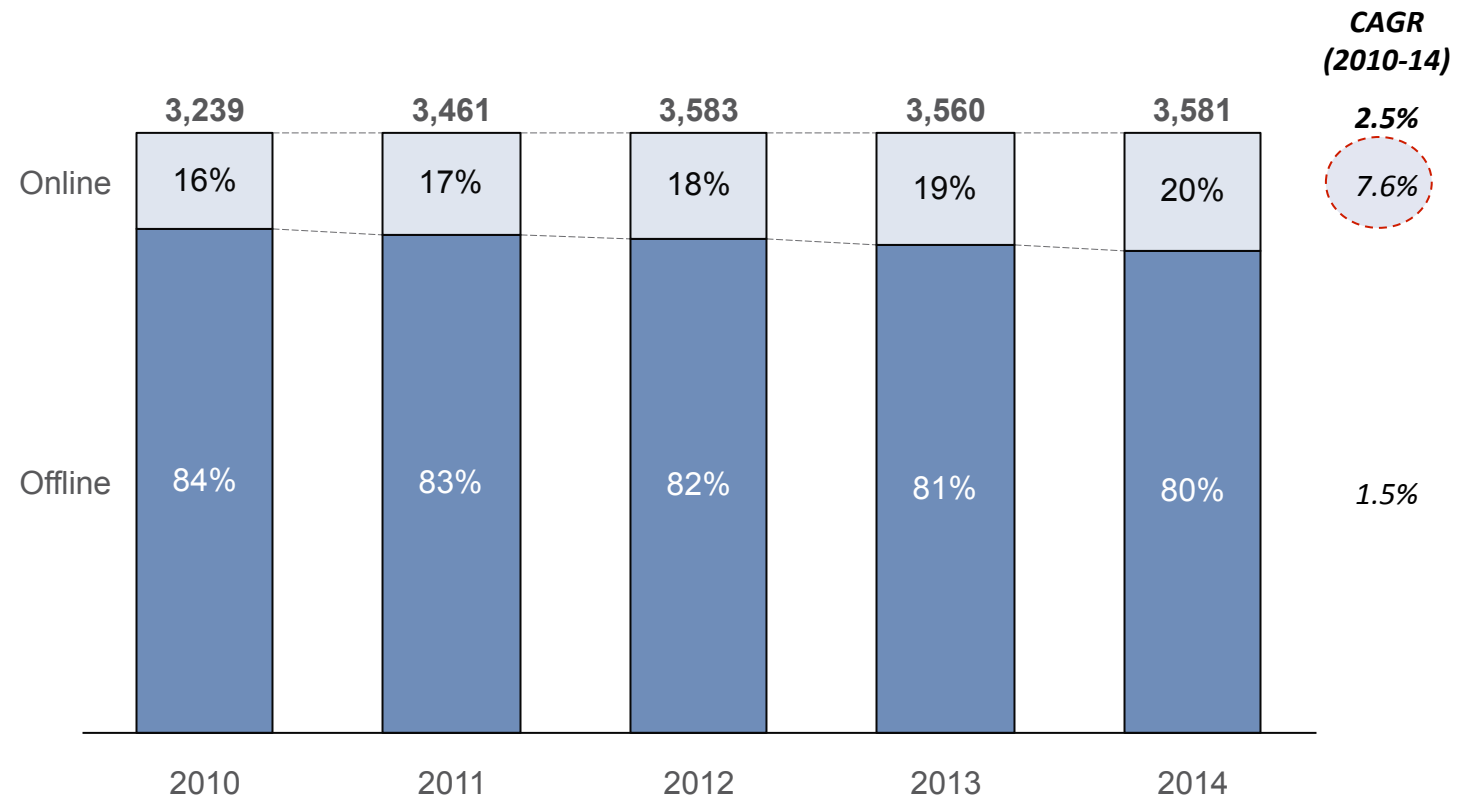
Strong financial position

Positive outlook for FY16

# B2B – attractive market fundamentals

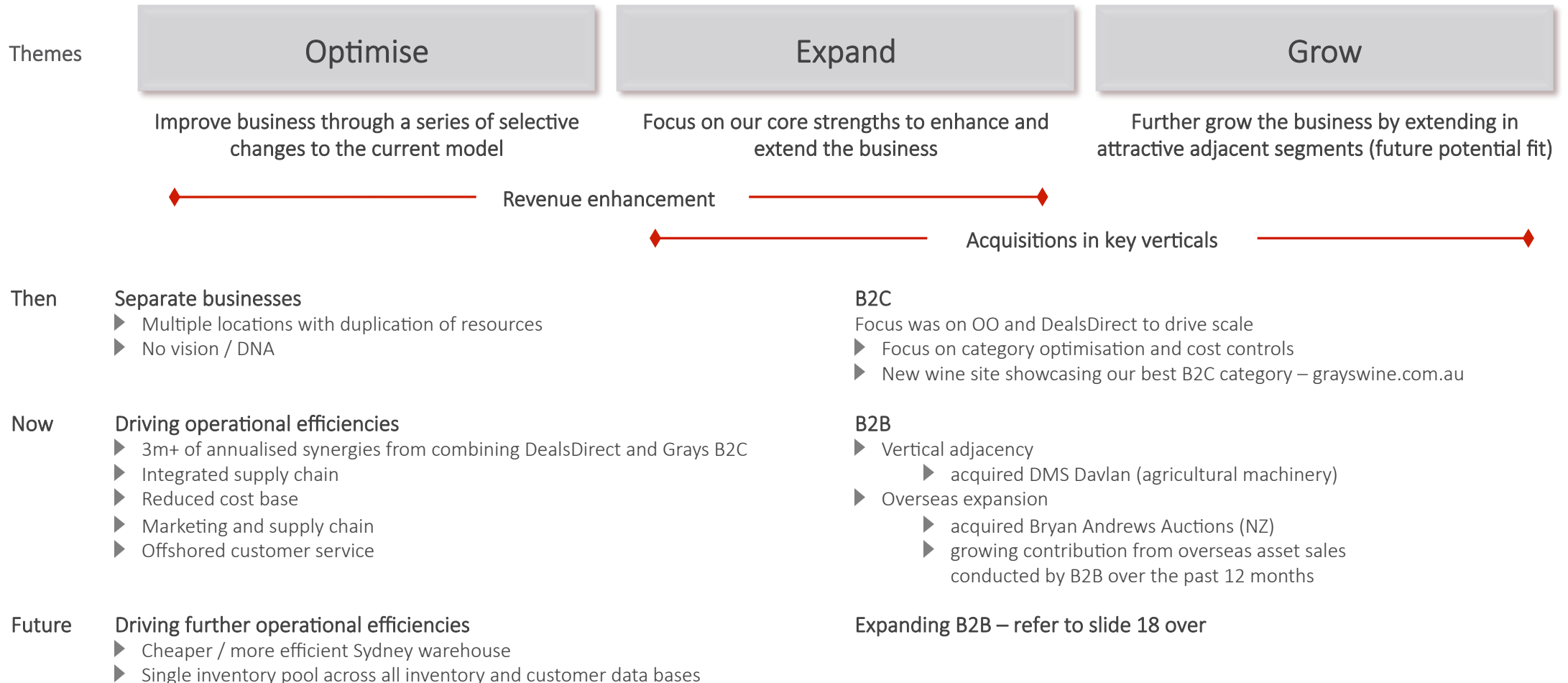
- ▶ The Australian market for used industrial equipment was worth \$11.6bn in 2014
  - ▶ Auctions accounted for 31% or \$3.6bn... and is set to grow to 2017
  - ▶ Online auctions have been growing at a faster pace than offline, and are forecast to continue increasing market share
- ▶ The South East Asian 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





# Executing focused strategy centred on 3 themes



# 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

# Outlook

- ▶ FY15 – a busy 12 months 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
  - ▶ Market fundamentals to drive underlying organic growth in B2B and B2C
  - ▶ \$3m+ annual cost savings from integration of DealsDirect / Grays to flow through
  - ▶ Revenue and earnings from acquired businesses to flow through
  - ▶ Additional benefits expected as a result of strategy execution
  - ▶ **Expect FY16 EBITDA > FY15**

# Questions

# Appendix

# Grays e commerce group

- ▶ Formed November 2014 with merger of Grays (Aust) Holdings Pty Limited (“Grays”) 78% and Mnemon Limited (“Mnemon” or “MNZ”) 22%
- ▶ GEG is a diversified on line auctioneer and retailer operating from the websites **Graysonline.com**; **DealsDirect.com.au**; **OO.com.au** and **Topbuy.com.au**
- ▶ Together these businesses have:
  - ▶ 880,000 + active customers
  - ▶ 3.6m email subscribers
  - ▶ 7m customer data base
  - ▶ Gross Sales of in excess of \$500m

Grays (Aust) Holdings  
Pty Ltd

Mnemon  
Limited

grays e commerce group

graysonline  
.com

grays MINING  
.com

grays asset  
services

oo.com.au






Deals  
Direct

TOPBUY  
.COM.AU

Grays  
wine  
.com.au

grays e commerce group

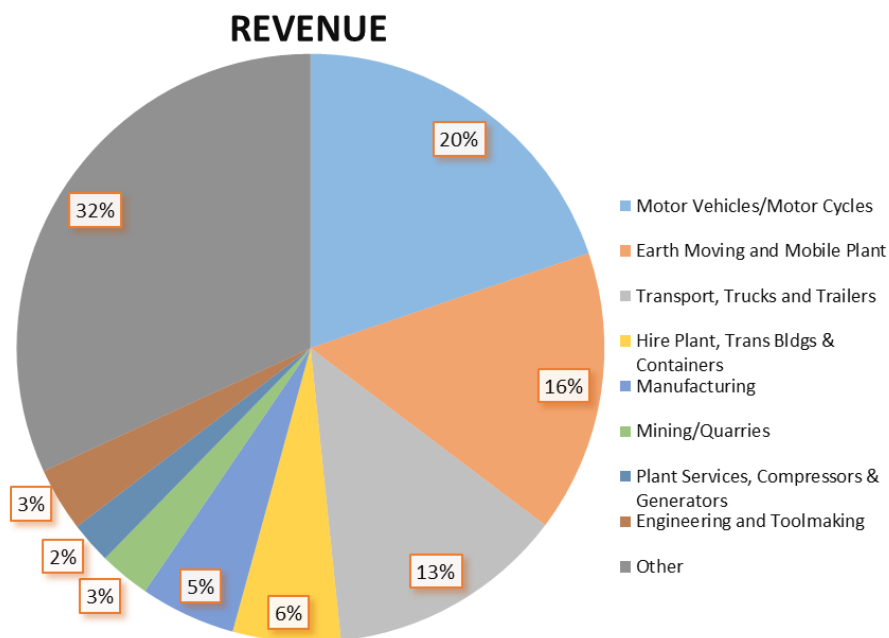
# Leading B2B division

Sales channel	Business to Business (B2B)	
Sale type	Online Asset Sales	Industrial Services
	Auction	Service Fees
Description	<ul style="list-style-type: none"> <li>Auction based sales of industrial and commercial equipment</li> </ul>	<ul style="list-style-type: none"> <li>Valuation and other project management functions of industrial equipment sales</li> </ul>
Products	<ul style="list-style-type: none"> <li>Manufacturing and engineering</li> <li>Auto, trucks and marine</li> <li>Mining, construction and agriculture</li> <li>Forklifts, warehousing and logistics</li> <li>Tenders</li> </ul>	<ul style="list-style-type: none"> <li>Plant &amp; Equipment valuations</li> <li>Stock takes</li> <li>Inventory reduction</li> <li>Asset audits</li> <li>WHS consulting</li> <li>Management of major site closures</li> </ul>
Brands	    	

- ▶ Clear leader in Industrial auctions in Australia
- ▶ Strong asset sales business supported by industrial services
- ▶ Leading brands supported by international alliances
- ▶ All auction sales conducted online
- ▶ Breadth of experience across a broad product range
- ▶ Deep industry and category experience
- ▶ Comprehensive asset valuation database
- ▶ Acquired DMS Davlan (leader in agribusiness machinery) and Bryan Andrews Auctioneers (South Island, New Zealand) in FY15

# B2B actively sources assets in a variety of sectors

## Revenue by asset categories



## Demand & supply

### Demand side

Majority unreserved content:

- Keep buyer databases in sync with supply side
- Offer the most attractive, dynamically priced content to be the single destination for industrial buyers
- Leverage best-in-market website analytics and marketing principles



### Supply side

Majority unreserved content:

- Corporations
- Banks and Insolvency Practitioners
- SMEs
- State Government and Local Councils



# B2C online portfolio

Sales channel	Business to Consumer (B2C)	
Sale type	Online Retail Sales	
	Auction	Fixed Price
Description	<ul style="list-style-type: none"> <li>Auction based retail sales of products</li> </ul>	<ul style="list-style-type: none"> <li>Fixed price retail sales of products</li> </ul>
Products	<ul style="list-style-type: none"> <li>Wine</li> <li>IT and consumer electronics electronic goods</li> <li>Homewares &amp; domestics appliances</li> <li>Cosmetics, fragrances and toiletries</li> <li>Jewellery &amp; watches</li> <li>Furniture</li> <li>Sporting goods &amp; toys</li> </ul>	

- ▶ Long heritage in retail auction space
- ▶ Sales – 58% own inventory (largely Fixed Price Retail); 42% consignment (largely Auction)
- ▶ All auction sales conducted online
- ▶ Breadth of experience across a broad product range
- ▶ Cost synergies to be derived from utilisation of largely fixed cost infrastructure
- ▶ Revenue synergies to be extracted from cross sale of products across various websites

Brands



Gross Sales\*

\$91m

\$32m<sup>#</sup>

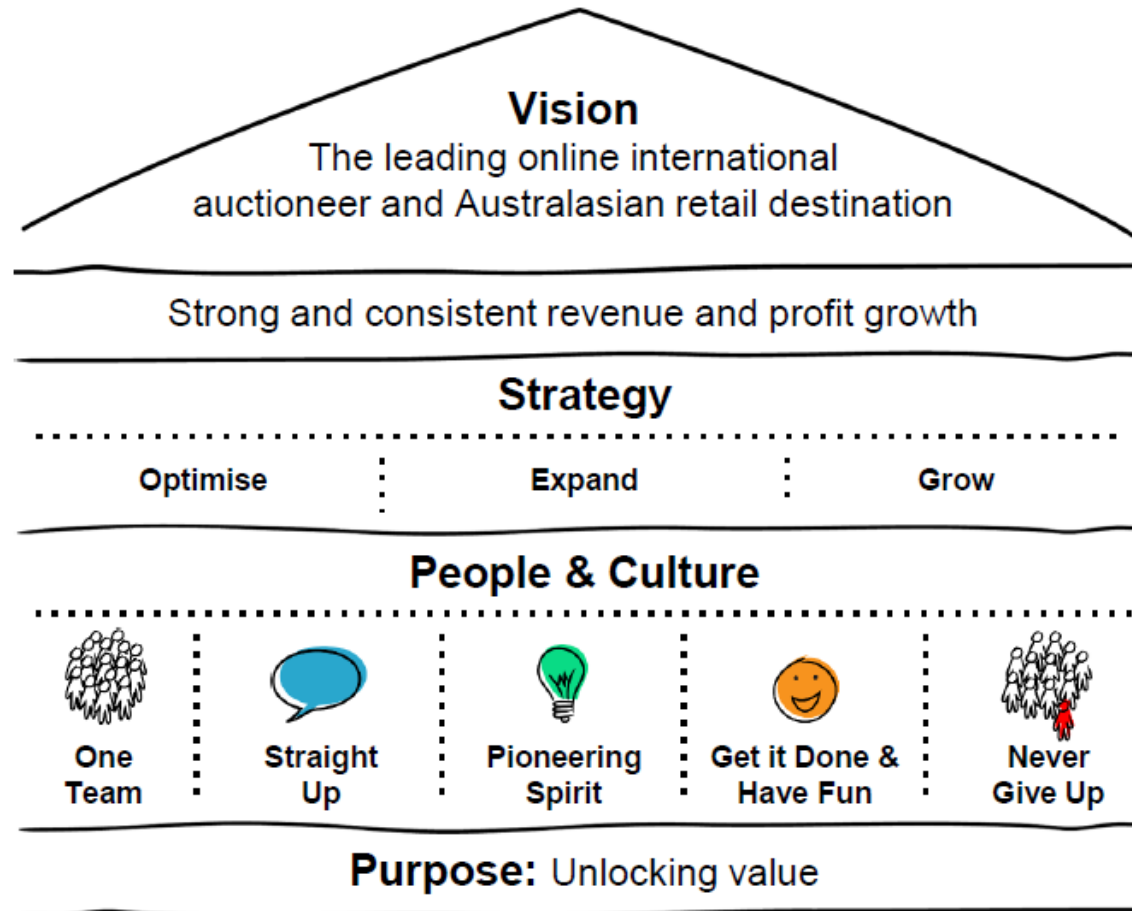
\$36m

\$8m<sup>#</sup>

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*<sup>#</sup> since merger date 7 November 2014*

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# Our DNA – the GEG framework



# Shareholding restrictions and bonus

## Escrowed Shares

- ▶ 73,244,952 shares issued to Grays vendors were held under escrow restrictions so the shares could not be sold within specific periods
- ▶ 50% of escrowed shares (36,622,476 shares) came out of escrow 7 days after Grays' 1H15 results announcement – ie from 9 March 2015
- ▶ Remaining 50% of escrowed shares (36,622,476 shares) come out of escrow 7 days after Grays' FY15 results announcement – ie 1 September 2015

## Bonus Shares

- ▶ Vendors of Grays are potentially entitled to be issued 'bonus' shares on a 1 for 2 basis – i.e. 1 additional 'bonus' share for every 2 ordinary shares held
- ▶ In order to receive 'bonus' shares each Grays vendor must, on the anniversary of the Grays / MNZ merger (7 November 2015), hold at least 75% of the number of new shares issued to them on completion of the merger
- ▶ Up to a maximum of 36,622,476 'bonus' shares could be issued in aggregate – with share movements over the past 6 months, the number of 'bonus' shares is now 33,086,677 based on the register as at 21 August 2015
- ▶ Bonus shares will be issued on, or as soon as practicable after, 7 November 2015

# GEG Segment Contribution compared to prior year

\$'000		B2B	B2C	Corporate #	Total GEG
<b>First Half 2015</b>	Revenue	29,837	70,240	296	<b>100,373</b>
	EBITDA	8,616	(452)	(2,441)	<b>5,723</b>
<b>Second Half 2015</b>	Revenue	26,483	65,866	208	<b>92,557</b>
	EBITDA	4,342	(1,203)	(1,990)	<b>1,149</b>
<b>Full Year 2015</b>	Revenue	56,320	136,106	504	<b>192,930</b>
	EBITDA	12,958	(1,655)	(4,431)	<b>6,872</b>
<b>First Half 2014</b>	Revenue	20,856	56,784	232	<b>77,872</b>
	EBITDA	4,709	116	(1,431)	<b>3,394</b>
<b>Second Half 2014</b>	Revenue	21,609	47,003	266	<b>68,878</b>
	EBITDA	2,713	(587)	(1,850)	<b>276</b>
<b>Full Year 2014</b>	Revenue	42,465	103,787	498	<b>146,750</b>
	EBITDA	7,422	(471)	(3,281)	<b>3,670</b>

# Corporate represents Costs associated with Board; Senior Executive Team; Legal; Secretarial and public company fees:

Corporate revenue is interest income. Finance, IT and HR corporate costs are allocated to B2C and B2B

## Notes:

- Very strong B2B result with further growth potential; Dominant player in the B2B market
- First half generally strongest half for GEG. H1 FY15 was very strong for Industrial B2B
- H1 FY15 Corporate Costs higher than H2 FY 15 due to one off recruitment, dual CEO during handover; one off training - people and culture costs
- increased B2C losses due to MNZ post acquisition losses. B2C operates in a very competitive market. Wine category was profitable
- 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.

- ▶ B2C revenues heavily skewed to first half (Christmas trade)
  - ▶ Offset by MNZ being consolidated as from 7 November for FY15
- ▶ B2B FY 15 - very strong first half with favourable product mix with high margins
  - ▶ Second half sales were large equipment and transportation assets which are traditionally:
    - ▶ lower margin products leading to lower EBITDA
- ▶ Includes investment in B2B business development staff during second half that is expected to further improve profitability

# 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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