

## Grays eCommerce Group Reports H1 FY15 Result

Grays eCommerce Group Limited (Grays eCommerce), Australia's largest listed e-commerce retail group, today announced its maiden interim result following the merger of Grays (Aust) Holdings Pty Limited (Grays) with Mnemon Limited (Mnemon) in November 2014.

As a consequence of the reverse acquisition, the result reflects a full six month contribution from Grays and a seven week contribution from Mnemon. Highlights of the result include:

- Gross sales of \$273.99 million, 44% higher than the PCP (35% higher excluding contribution of Mnemon)
- Revenue of \$100.37 million, 29% higher than the PCP (7% higher excluding contribution of Mnemon)
- Earnings before interest, tax, depreciation and amortisation (EBITDA) before business combination costs, of \$5.72 million, 69% higher than the PCP (67% higher than PCP excluding seven week contribution of Mnemon)
- Net profit after tax of \$1.24 million, 142% higher than the previous corresponding period (PCP)

Grays eCommerce operates two business segments - B2B and B2C. The B2B business segment comprises the business-facing components of the *graysonline* brand, and the *graysasset* and *graysmining* brands. 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 includes the consumer-facing components of *graysonline*, *DealsDirect*, *OO.com.au* and *TopBuy* brands, offering both auction-based and fixed price retail sales, and boasting a 6 million-strong customer database. Strong relationships with local and international brand owners across numerous product categories are key to its success. The wine business is the third largest online wine retailer in Australia, selling more than six million bottles per annum.

Commenting on the result, Grays eCommerce Chief Executive Officer Mark Bayliss said "Our business didn't skip a beat through the merger process, and the result announced today is testament to Grays eCommerce Group's market position. Our B2C business benefits from seasonal tailwinds in the lead up to Christmas, while our B2B operations were bolstered by a number of major event insolvency sales."

"We have a new leadership team across the combined Grays eCommerce operations, with a clear strategy built around growth and sustainability. Online markets continue to show meaningful growth, and we are committed to optimising the current business and expanding through both organic growth and acquisition.

"All our strategic decisions are viewed through a prism of shareholder value creation. We have identified a number of growth investment opportunities in the B2B segment, while our strategy in the B2C area recognises that aggregation in this industry is inevitable. We will be seeking the most attractive opportunities in a consolidating market while pursuing internal strategies that drive efficiency in the business while maintaining market position."

## **B2B Results**

For the 6 months ended 31 December 2014, the B2B division recorded the following results:

- Gross Sales of \$185.78 million, 72% higher than PCP
- Revenue of \$29.84 million, 43% higher than the PCP
- EBITDA of \$9.10 million, 62% higher than the PCP

Mr Bayliss said, “The contribution from our B2B segment was bolstered by an uptick in business originating from the mining, construction and automotive sectors, combined with initiatives to improve margins and efficiency.”

“Our B2B business is the established leader in its markets, with access to more buyers, and broader deeper data, than any competitor. Clients seek us out for our deep insight into market conditions, and for the confidence that our database of more than 1.9 million customers provides. This business is positioned to be a significant growth engine for Grays eCommerce.”

## **B2C Results**

For the 6 months ending 31 December 2014, the B2C division recorded the following results:

- Gross sales of \$88.21 million, 8% higher than the PCP (14% lower excluding contribution of Mnemon in the current period)
- Revenue of \$70.24 million, 24% higher than the PCP (7% lower excluding contribution of Mnemon in the current period)
- EBITDA of \$3.07 million, 10% higher than PCP (8% higher excluding contribution of Mnemon in the current period)

Mr Bayliss said, “Price competition is a critical feature of the online B2C market, so it’s no surprise that operating scale and efficiency are key to success in this marketplace. Grays eCommerce is well-positioned on both measures, with around seven million visits to our consumer websites each month and leading warehouse and fulfilment capabilities.”

## **Post-merger Integration Progressing**

The merger of Grays and Mnemon brought together a portfolio of leading e-commerce brands to deliver scale as well as potential revenue and cost synergies. The company is currently progressing a post-merger integration process, which is on track to complete by mid-2015.

As part of this process, Grays eCommerce is consolidating staff from across the group to reduce duplication and improve efficiency. In March 2015, DealsDirect staff will relocate to the company’s head office and in June the DealsDirect warehouse will be consolidated with the company’s operations in Homebush.

## **Strong Balance Sheet**

At 31 December 2014, the company had no debt and cash of \$14.2 million. Grays eCommerce is currently in advanced negotiations for an increase in its debt facilities to support a combination of growth initiatives, working capital and guarantee requirements of the group.

Mr Bayliss said, “This will allow us to accelerate our strategy for Grays eCommerce to provide increased flexibility in the services and terms we are able to offer B2B vendors, some of whom prefer the certainty of a guaranteed price early in the sale process.”

## Outlook

Commenting on the outlook, Mr Bayliss said, “The first half result set a strong base for FY15, however we do not expect to repeat this performance in the second half. This is due to the seasonal nature of the B2C business and our continued focus on integration of the fixed price business together with the B2B division’s first half result including some major event insolvency sales. Nonetheless, we expect to generate strong growth for FY15 relative to FY14.

“Looking to the future, the business is backed by strong market fundamentals which are expected to drive underlying organic growth. In addition, we are on track to achieve annual integration benefits of \$3 million flowing from FY16, and anticipate additional growth to come as a result of successfully executing our growth strategy.

“Grays eCommerce has the team, culture, vision and skills in place to grow in what is an attractive market, and we believe the company is well placed to grow shareholder value.”

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