

H1 FY15 results

26 February 2015

Mark Bayliss – CEO

Emmanuel Zammit – CFO

grays✶ecommercegroup

Founded in
1989

880,000+ active
customers

2.9m Email
subscribers

>80m visits

>6m database

Shipping
190,000
units per month

70,000m²
distribution
centres

10,000
B2B auctions per
annum

2,500+ merchants
5,000+ brands

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Australia's largest listed eCommerce Group

Strong financial position

Platform in place to drive growth

Formed in November 2014; established 1989

- ▶ Formed November 2014 with merger of Grays (Aust) Holdings Pty Limited (“Grays”) and Mnemon Limited (“Mnemon” or “MNZ”)
- ▶ Clear strategy
 - ▶ Grow profitably
 - ▶ Leverage economies of scale
 - ▶ Consolidate
- ▶ Strengths
 - ▶ Diversified sector participation
 - ▶ Customer demographic coverage
 - ▶ Broad product range
- ▶ Executing the business integration an early priority

Grays (Aust) Holdings
Pty Ltd

Mnemon
Limited

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graysonline
.com

graysMINING
.com

graysasset
services

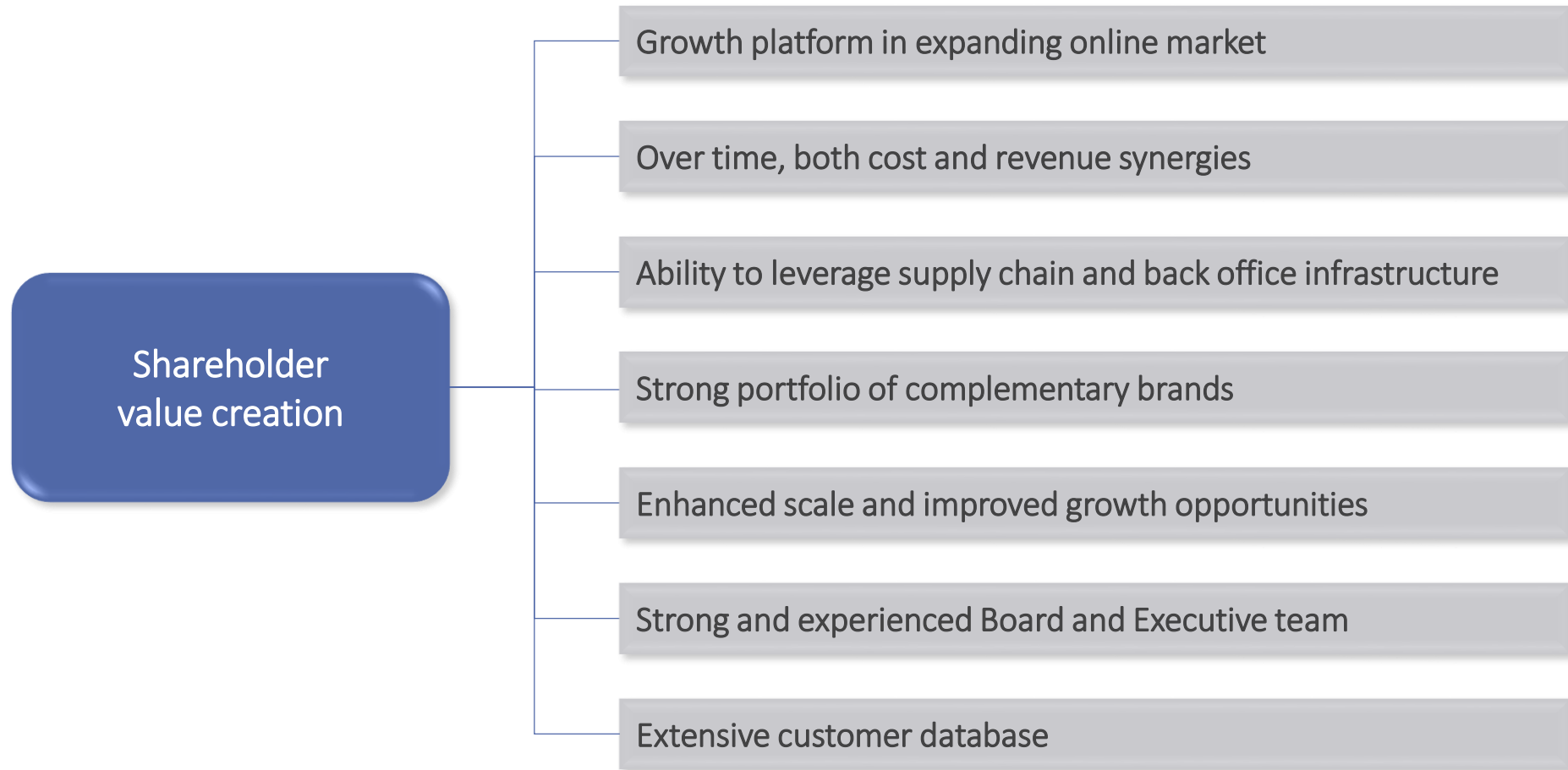
oo.com.au

Deals
Direct

TOPBUY
.COM.AU

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Compelling strategic rationale



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"> Auction based sales of industrial and commercial equipment 	<ul style="list-style-type: none"> Valuation and other project management functions of industrial equipment sales
Products	<ul style="list-style-type: none"> Manufacturing and engineering Auto, trucks and marine Mining, construction and agriculture Forklifts, warehousing and logistics Tenders 	<ul style="list-style-type: none"> Valuations Stock takes Inventory reduction Asset audits WHS consulting

- ▶ 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 experience
- ▶ Comprehensive asset valuation database

Brands



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Strong B2C online retail portfolio

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



- ▶ Long heritage in retail auction space
- ▶ Sales – 52% own inventory; 48% consignment
- ▶ All auction sales conducted online
- ▶ Breadth of experience across a broad product range
- ▶ Deep market reach
 - ▶ 80+ million visits
 - ▶ 880,000+ active customers
 - ▶ 6+ million database
 - ▶ 2,500+ merchants
 - ▶ 5,000+ brands

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Integration of DealsDirect with Graysonline

- ▶ Integration progressing well and on track for completion before end of financial year
- ▶ Utilising experience from acquisition and integration of OO.com.au in April 2013
- ▶ Office to be relocated by end of March
- ▶ Warehouses to be merged by end of May
- ▶ Information technology platforms to be consolidated by end of May
- ▶ Synergy benefits of \$3m+ to be realised in FY16

H1 FY15: delivering what we said we would do

- ▶ Senior team now in place
- ▶ Consistent vision and mission throughout the company – GEG foundations
- ▶ Driving scale efficiencies – e.g. amalgamation of Homebush and Ingleburn distribution centres
- ▶ Strong growth in revenue and earnings
- ▶ Strong balance sheet – \$14.2m cash and no debt

Australia's largest listed eCommerce Group

Strong financial position

Platform in place to drive growth

Strong growth across key earnings metrics

A\$'000	H1 FY15	H1 FY14	CHG	H1 FY15 Excl MNZ	CHG
Gross Sales*	273,993	189,843	+44%	256,610	+35%
Revenue [#]	100,372	77,872	+29%	82,989	+7%
EBITDA (pre business combination costs)	5,723	3,393	+69%	5,663	+67%
Business combination costs	(2,988)	(792)			
D&A	(1,161)	(1,767)			
Net interest income	217	128			
Tax	(555)	(452)			
NPAT	1,235	510	+142%		

- ▶ Revenue growth driven by:
 - ▶ Increased commission revenues from auction activities
 - ▶ Added sales volume post-acquisition
- ▶ Business combination costs of \$3m primarily associated with legal, advisor fees and integration activities

* Non IFRS information - **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.

The statutory results reflect a reverse acquisition as prescribed by Australian Accounting Standards. Accordingly, Grays is considered to be the acquirer and the reporting head entity.

- H1 FY14 represents Grays financial performance
- H1 FY15 represents Grays results plus MNZ results since acquisition

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B2B growing strongly

A\$'000	H1 FY15	H1 FY14	CHG
Gross Sales*	185,784	107,909	+72%
Revenue	29,837	20,856	+43%
Expenses	20,738	15,249	+36%
EBITDA	9,099	5,607	+62%

- ▶ Increase in B2B activity rate across all key sectors
- ▶ Strongest improvement noted in mining, construction and automotive categories
- ▶ EBITDA ratio lift from 27% to 30% of revenue due to product mix, margin initiatives and efficiency gains linked to scale

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- H1 FY14 represents Grays financial performance
 - H1 FY15 represents Grays results plus MNZ results since acquisition
- The acquisition does not affect B2B segment comparatives.

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B2C expanded through merger

A\$'000	H1 FY15	H1 FY14	CHG	H1 FY15 Excl MNZ	CHG
Gross Sales*	88,209	81,934	+8%	70,826	-14%
Revenue	70,240	56,784	+24%	52,857	-7%
Expenses	67,173	53,995	+24%	49,850	-8%
EBITDA	3,067	2,789	+10%	3,007	+8%

- ▶ Gross sales increase driven by inclusion of DealsDirect and TopBuy volumes in FY15
- ▶ Grays like for like revenue is down 7%, however EBITDA 8% up
- ▶ Sector is challenged by a highly competitive environment that constrains pricing and margin growth
- ▶ Increased scale, cost and revenue synergies to improve EBITDA
- ▶ Integration on track with full benefits realised in FY16
- ▶ EBITDA ratio has decreased by 0.5% to 4.4%

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Strong balance sheet

A\$'000	31 Dec 14	30 Jun 14	CHG
Current Assets	42,848	19,536	+119%
Total Assets	82,546	38,153	+116%
Net Assets	40,912	8,472	+383%
Cash / (Net Debt)	14,218	(3,012)	n/a
Capex	1,161	2,129	-45%

- ▶ Increased asset base of the group reflects the aggregation of the combined Grays and MNZ businesses
- ▶ Intangibles of \$24m recognised on acquisition
- ▶ No debt
- ▶ \$14.2m cash
- ▶ Low capital intensity – key expenditures on software and acquisitions

First half cash flows and cash position

A\$'000	H1 FY15
Operating Cash flows from operations *	5,782
less: post merger payment term alignment of MNZ creditors	(5,146)
	636
Pre merger transactions by Grays	
- Grays shareholder capital raising	13,215
- Net proceeds from repayment of Grays shareholder loans	1,753
- Repayment of external Bank Loans	(4,500)
- Transaction Costs	(2,988)
Net pre merger transactions	7,480
Purchase of property , plant and intangibles	(1,161)
Other net cash flows	(92)
	(1,253)
Net Cash flows for the 6 months to December 2014	6,863
Add: cash acquired on merger	5,867
Add: opening cash	1,488
Cash Balance as at 31 December 2014	14,218

- ▶ Net Cash of \$14.2m and no debt
- ▶ Strong operating cash flows from operations
- ▶ Set for growth through acquisitions or funding organic growth

Funding structure in place to support growth

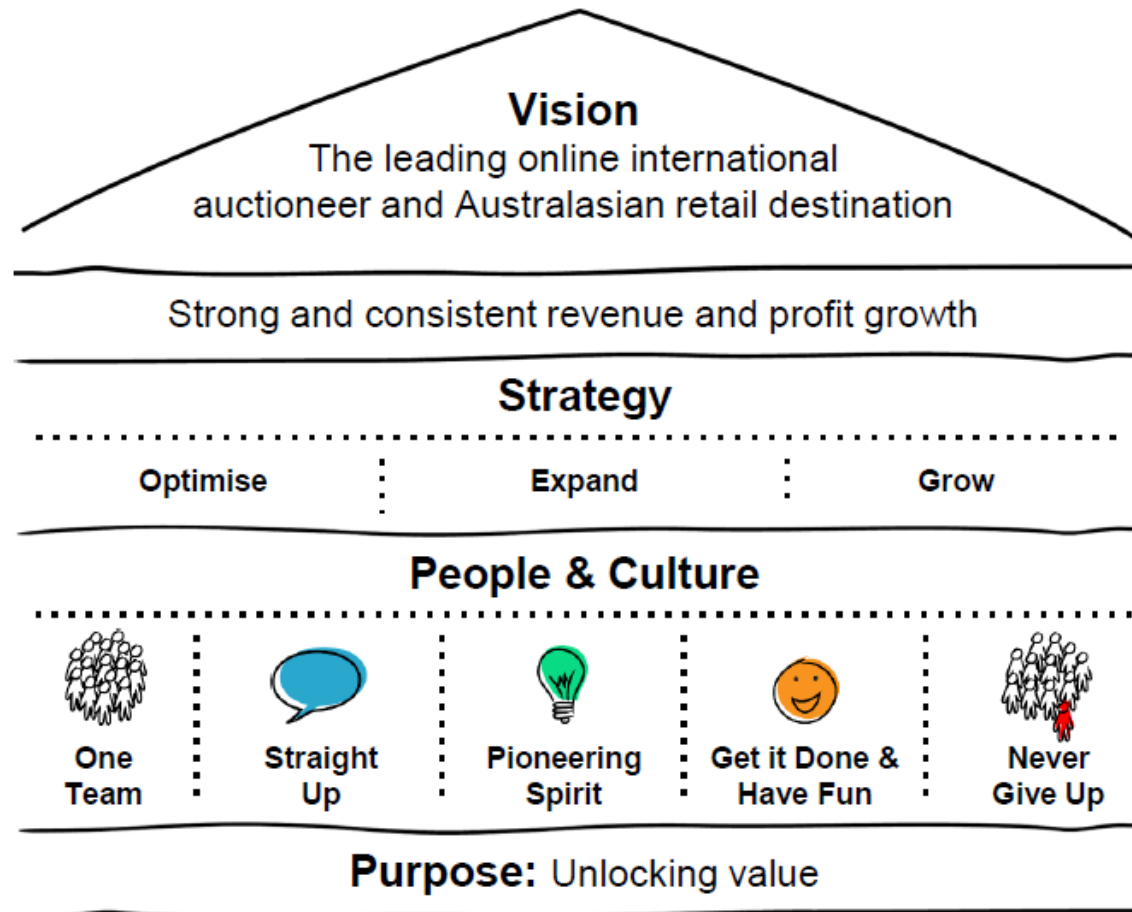
- ▶ The merged group is operating cash flow positive
- ▶ Growth agenda requires financing structure to suit
- ▶ Currently negotiating an increase in debt facilities
- ▶ Facilities will support a combination of acquisitions and organic growth initiatives

Australia's largest listed eCommerce Group

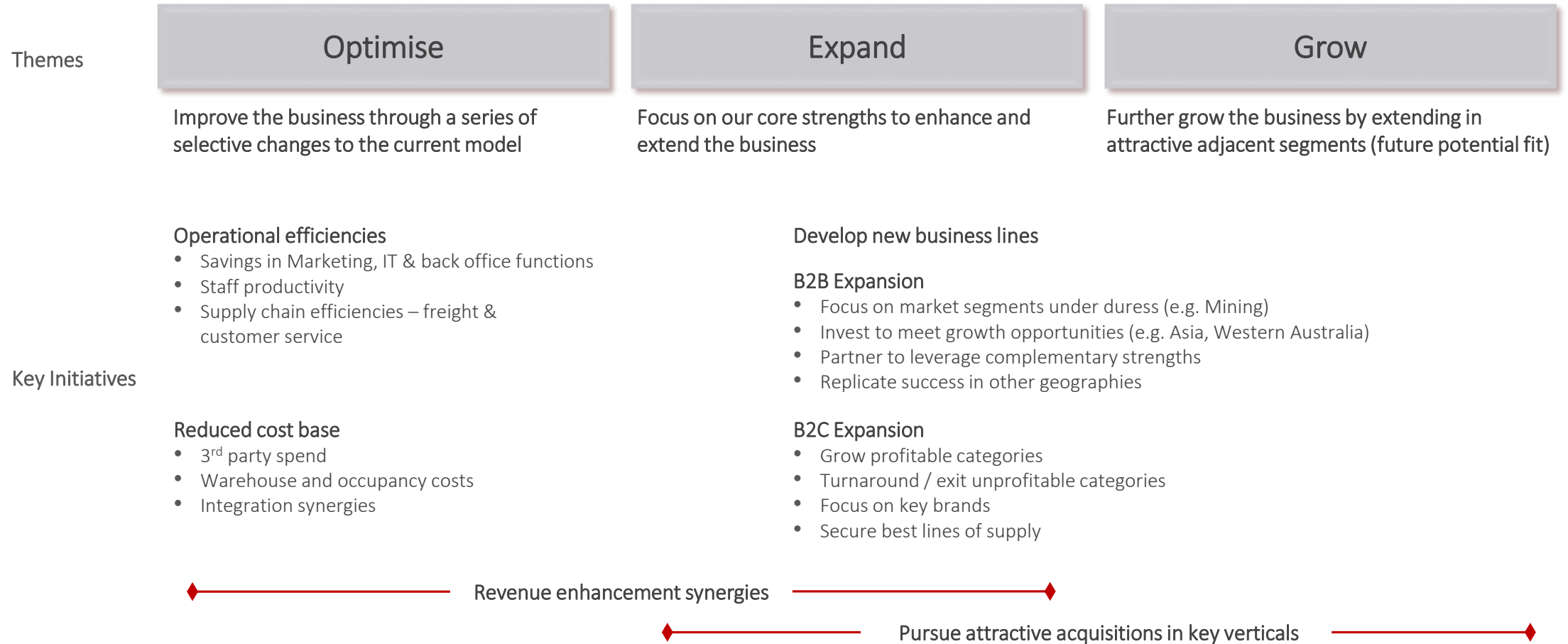
Strong financial position

Platform in place to drive growth

Our DNA – the GEG framework



A clear strategy in place centred around 3 themes



B2B is the 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
 - ▶ O H & S consultancy services
 - ▶ Deep industry and category experience



Australian
Automotive Marketplace



Mobile
Mining Plant



Printing
Machinery

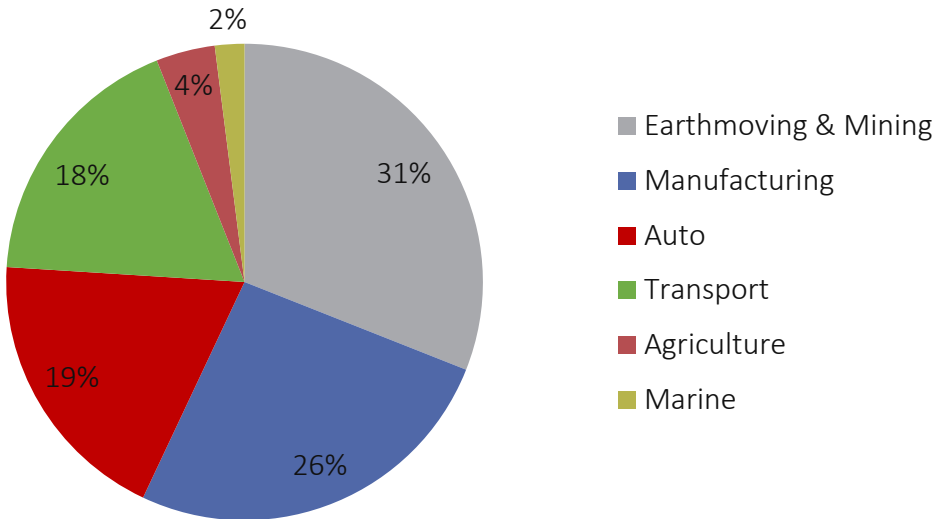
EQUIPNET

Pharmaceutical, Bio,
Medical, Chemical,
Healthcare, Laboratory

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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 is a pure online retail destination

B2C overview

- ▶ 100% sales are online
- ▶ Combines both auction and fixed price
- ▶ Extensive product coverage
- ▶ Multiple brands and websites
- ▶ Excellent relationships with all local service providers, especially in supply chain/carriers
- ▶ Category specialists with extensive product knowledge and merchant relationships
- ▶ Highly experienced senior management team across general management, sales, marketing, and supply chain
- ▶ Market leading wine offering – No. 3 online (refer Appendix)

graysonline.com

DealsDirect
Australia's Online Department Store

oo.com.au
The Joy of Shopping Online

TOPBUY.COM.AU



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Industry leading logistics

- ▶ Leading warehousing and fulfilment capabilities with 70,000m² of distribution centres in key geographic locations across Australia & New Zealand
- ▶ Advanced supply chain expertise developed over 15 years
- ▶ Shipping 190,000 units per month
- ▶ 93% of products shipped next day (ex Sydney DC)
- ▶ 22% of items drop shipped (35% are from offshore)
- ▶ Among biggest customers for Australia Post & Toll Logistics
- ▶ Dedicated customer service teams
- ▶ Distribution centre in Shenzhen through TopBuy

Distribution centre



*B2B supply chain
& distribution network ¹*



*B2C supply chain
& distribution network*



Positioned for growth

- ▶ GEG has a strong market position with exposure across multiple attractive market segments
- ▶ Clear strategy to grow
- ▶ Rigorous approach to strategy execution whilst maintaining focus on current business
- ▶ Key B2B strategic partnerships in place
- ▶ Strong and experienced Board and management team
- ▶ Strong balance sheet with no debt and \$14.2m cash

Positive outlook

- ▶ FY15 base built off strong H1 FY15
 - ▶ Seasonality – H1 benefits from pre Christmas trading
 - ▶ Benefits from major event insolvency sales in B2B
- ▶ Expect H2 FY15 EBITDA < H1 FY15
 - ▶ Seasonality – H2 traditionally lags H1 given holidays
 - ▶ Normalisation of B2B with fewer major event sales
 - ▶ Integration of fixed price business
- ▶ Expect FY16 EBITDA > FY15
 - ▶ Market fundamentals to drive underlying organic growth in B2B and B2C
 - ▶ \$3m annual integration benefits to flow FY16 on
 - ▶ Additional benefits expected as a result of strategy execution

Questions

Appendix

Segment results summary

A\$'000		B2B	B2C	Corporate	Total GEG
H1 FY15	Revenue	29,837	70,240	296	100,372
	EBITDA	9,099	3,067	(6,442)	5,723
H1 FY14	Revenue	20,856	56,784	232	77,872
	EBITDA	5,607	2,789	(5,004)	3,393

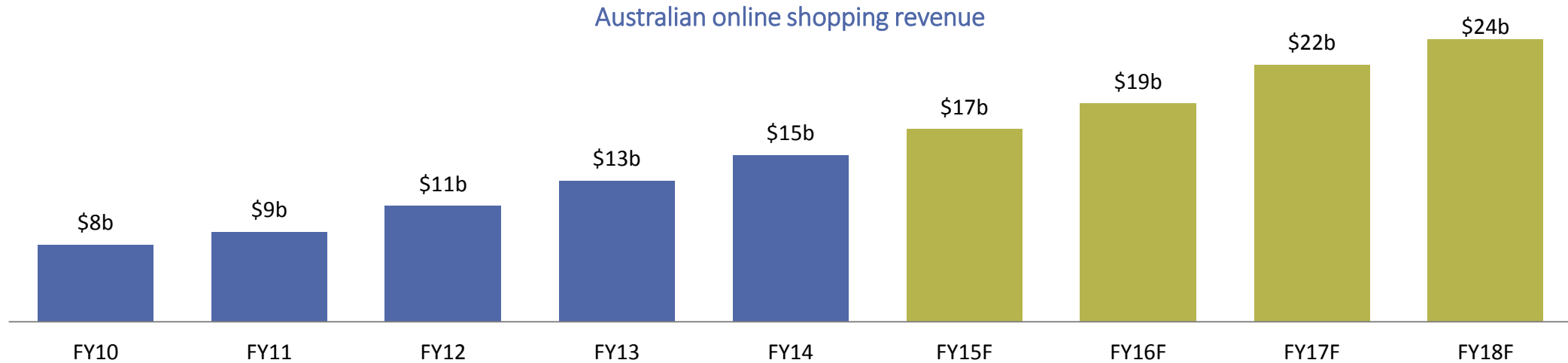
Significant and growing opportunity in B2B

“While U.S. business-to-consumer eCommerce topped \$263 billion last year, industry analysts at Gartner Inc. and Forrester Research Inc. say the U.S. B2B eCommerce volume is approaching about \$1 trillion”

(Internet Retailer November 2014)

- ▶ Industry analysts suggest the U.S. B2B eCommerce market is approaching \$1 trillion and growing (versus U.S. B2C eCommerce market c\$263 billion)
- ▶ Many B2B organisations that have traditionally sold through catalogues are turning to an online sales model
- ▶ As consumers become more accustomed to online retailing in their personal lives, business customers want the same convenient, customer friendly experience they get from an online retail purchase
- ▶ B2B sites need to help business customers by offering content rich, informative pages plus quick and easy to find products
- ▶ B2B e-commerce is off and running and companies that connect best with customers are reaping the rewards

B2C market growing rapidly



- ▶ Internet penetration is high and entrenched
- ▶ Confidence in online shopping is increasing as technology use, product ranges and price transparency increases
- ▶ Benefits include convenience, more diverse range of goods, functionality & pricing
- ▶ Mobile device use as a buying platform is growing – 35% share of online in 2014
- ▶ Consumer confidence is expected to drive B2C growth resulting in;
 - ▶ Increased online sales in absolute terms,
 - ▶ Online retail increasing relative to traditional retail

Wine – Market Leading Offering

Overview

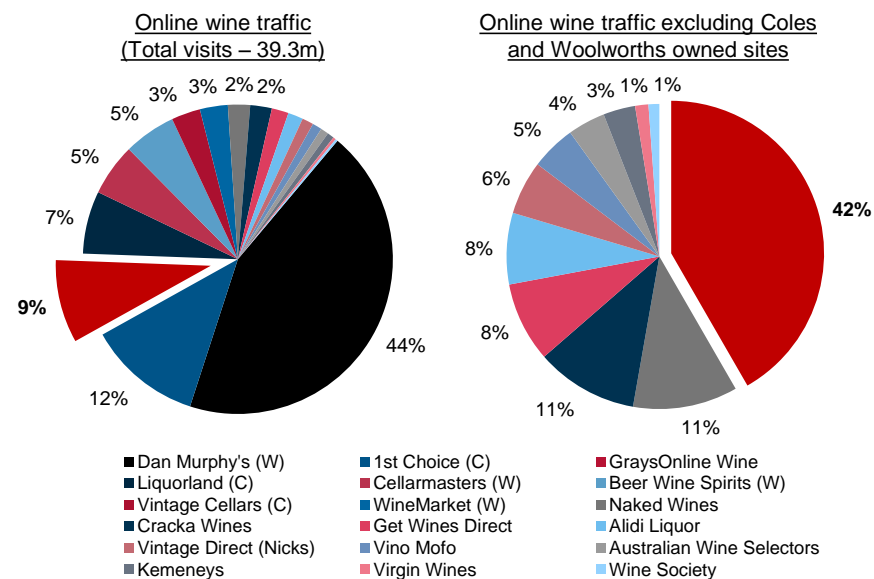
- The strongest consumer category in terms of profitability and brand awareness. Sells ~55,000 cases of wine direct to consumers per month (~2% of the total bottled wine market in Australia) generating sales of \$31m in FY14¹
- Approximate 86% of the wine is sold through online auctions. Remainder sold at fixed price
- The auction model sets Grays Wine apart from other online and multichannel retailers. Offers an alternative and attractive route-to-market for wine growers and distributors
- Services more than 400 wineries in Australia and New Zealand, with 30 labels exclusive to Grays
- Increasingly importing wines direct from Europe and the Americas
- Winner of the CanStar Blue Most Satisfied Customers Award for Online Liquor Store
- Opportunity to significantly expand wine offering on DealsDirect, replicating the success of wine expansion to OO



1) Gross sales refer to the value of products sold. Grays receives a commission on sales of these products. Includes \$1.5m sales through OO.

Top Wine Sites by Visits

- Grays is the third largest online wine site² after Dan Murphy's (Woolworths) and 1st Choice (Coles). Grays is the largest non-Woolworths, non-Coles owned site
- Potential to leverage total GraysOnline website traffic for wine sales



2) Based on traffic. GraysOnline Wine visits represents GraysOnline Wine traffic only. Total GraysOnline visits for same period is 33m.

Note: (W) refers to Woolworths and (C) refers to Coles owned brands/stores.

Source: Hitwise: Top Wine Sites by Visits: April '13 – March '14

Shareholding restrictions and bonus

Escrowed Shares

- 73,244,952 shares issued to Grays vendors are held under escrow restrictions so the shares cannot be sold
- 50% of escrowed shares (36,622,476 shares) come out of escrow 7 days after Grays half-year results announcement – i.e. from 9 March 2015
- Remaining 50% of escrowed shares (36,622,476 shares) come out of escrow 7 days after Grays full-year results announcement – i.e. in 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
- Bonus shares will be issued on, or as soon as practicable after, 7 November 2015

Strong team now in place



Jonathan Pinshaw
Non-Executive
Chairman

Has held numerous executive and non-executive roles in a number of public companies and chaired a number of private equity owned companies



Naseema Sparks
Non-Executive Director

Holds numerous current board memberships, was previously the Managing Director of M&C Saatchi and has extensive experience in traditional and digital marketing



Will Vicars
Non-Executive Director

Chief Investment Officer & Board member at Caledonia and holds numerous other Directorships in the for-profit and not-for-profit sectors



Mark Bayliss
Executive Director &
Chief Executive Officer

Over 25 years experience in international and publicly listed companies, with leveraged buyouts, private equity turnarounds and with all aspects of strategic, operational and financial management



Adam Scharer
Executive General
Manager - B2B

Extensive experience in all aspects of the auction business including sales, marketing, management, equipment appraisal, innovation, mergers & acquisitions and strategy



Mark Kehoe
Executive General
Manager - B2C

Extensive senior level experience in online eCommerce operations, including general management, sales & marketing, and operations in the Australian and international online environment



Michael Rosenbaum
Head of Retail

Co-founder of DealsDirect in 2004, a pioneering online department store. 13 years experience across eCommerce, merchandise, marketing & technology



Emmanuel Zammit
Chief Financial Officer

Previously CFO at Wattyl and Alesco, prior to which he held numerous senior management positions at MeadWestvaco operating in multiple geographic regions



Mark Cox
Executive General
Manager – People &
Culture

Has extensive HR experience in a range of industries. Was most recently HR director for Svitzer and will work to transform the people function at GEG, particularly talent management activities and developing and enhancing the culture



Stephen Charlesworth
Executive General
Manager – Information
Systems

Responsibility for all aspects of IT including infrastructure, externally hosted environments, direction of software development, management of third party software and relationships with key IT suppliers



David Sharp
Executive General
Manager - Marketing

Over 21 years experience in the Australian data driven marketing, credit and property decision science industries. Founder of Sharp & Anderson Consulting, later Market Advantage, fully acquired by Veda Ltd in 2000



Julie Starley
Executive General
Manager - Operations

Leading operational excellence in customer service, logistics and warehousing. Over 16 years experience in the fast paced Online Retail and ICT industries. Previously, Julie was an executive at Vodafone Group

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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