

Liquidity Services Inc.

NASDAQ: LQDT

Liquidity Services to Acquire Jacobs Trading



Liquidation.com

**Government
Liquidation**

GovDeals
A Liquidity Services Marketplace

Network
INTERNATIONAL

TruckCenter.com

FORWARD-LOOKING INFORMATION

This presentation contains forward-looking statements. All forward-looking statements speak only as of the date of this presentation. Except as required by applicable law, we do not intend to publicly update or revise any forward-looking statements. These forward-looking statements are only predictions and are not guarantees of performance. These statements are based on our management's beliefs and assumptions, which in turn are based on currently available information. The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Many of these factors are beyond our ability to control or predict. You can identify forward-looking statements by terminology such as "may," "will," "should," "could," "would," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continues" or the negative of these terms or other comparable terminology. These statements include, among others, statements regarding our expected business outlook, anticipated financial and operating results, our business strategy and means to implement the strategy, our objectives, the amount and timing of capital expenditures, the likelihood of our success in expanding our business, financial plans, budgets, working capital needs and sources of liquidity.

Potential investors should carefully review in its entirety our filings with the Securities and Exchange Commission from time to time. You should be aware that the occurrence of the events described in the "Risk Factors" section and elsewhere in our periodic reports could harm our business, prospects, operating results, and financial condition.

Executive Summary

Liquidity
Services Inc.

Provide clients and buying customers the world's most transparent, innovative and effective online marketplaces and integrated services for surplus assets.

- ✓ We are a marketplace for bringing buyers and sellers together.
- ✓ We use technology to make the process more transparent, efficient and valuable to all parties.
- ✓ We provide value added services to simplify the transaction process for buyers and sellers.
- ✓ We succeed by helping our clients reduce their total supply chain costs, improve cycle times and accelerate sustainability initiatives

Liquidity Services Growth Strategy

External

**Acquire Complementary
Businesses**

Innovation

**Develop and Enhance
Features and Services**

**Expand Vertical
Market Segments
and Expertise**

Organic

**Grow Buyer Base and
Increase Participation**

**Increase Penetration of
Existing Sellers**

**Develop New
Seller Relationships**

Achieve \$1 billion in GMV within the next five years.

*Deal enhances our position as the
leading reverse supply chain solution*

- **Expands surplus asset supply from Walmart (an existing LSI customer) and other Fortune 500 retailers and CPG manufacturers**
- **Adds talented team with average 15+ years of product domain and retail consumer goods merchandising expertise**
- **Expands buyer base and direct sales force within existing LSI product categories**
- **Unlocks cross-selling synergies among respective buyer and seller bases**
- **Creates scale benefits in warehouse network, sales force, marketing and operations**
- **Provides significant EBITDA diversification**
- **Expands operating margins**

Summary of Principal Transaction Terms

Incentive-aligned deal structure reduces risk and shares upside potential

- **\$140 Million upfront purchase price**
 - \$80 million in cash
 - \$40 million in seller subordinated 5% note
 - \$20 million LQDT common stock

- **\$30 Million contingent earn-out payments**
 - Based on CY'12 and CY'13 Adj. EBITDA performance
 - All cash, OR
 - 50% LQDT common stock / 50% cash

- **Currently expected to close in Q1 FY2012**

Liquidity Services Strong M&A Track Record

Complementary acquisitions enhance our scale and network of sellers and buyers

October 2006



- \$8.5 million all cash transaction
- Added large volume buyers including discount store chain buyers
- Expanded client relationships with Fortune 500 retailers and warehouse clubs
- Expanded national distribution footprint
- Foundation for Liquidation.com Direct

January 2008



- \$10 million all cash transaction
- Added initial base of 1,500 state, local and government clients
- Specialized sales force with extensive relationships and experience in government
- Added 2,300 new clients and increased GMV by over 20% annually since acquisition

June 2010



- \$15 million all cash transaction (including earn-out)
- Expanded commercial capital assets product domain expertise
- Added 22 Fortune 500 and 8 of the largest multinational energy companies
- Expanded buyer base for commercial capital assets
- Exceeded GMV and EBITDA targets, growing over 20% annually

June 2011



- \$9 million all cash transaction; potential for \$9 million performance payments over 24-month period
- Strengthened transportation industry vertical
- Expanded relationships with 3 existing clients
- Expanded buyers transportation equipment
- Expanded warehouse and storage services

October 2011*



- \$140 million asset purchase transaction (cash, seller note, common stock); potential for \$30 million performance payments over 24-month period
- Enhances volume of goods available
- Expands service offering for Walmart
- Expands the base of large volume buyers
- Provides financial diversification
- Enhances value added services

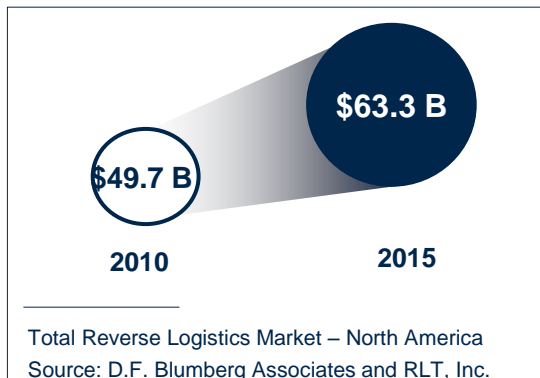
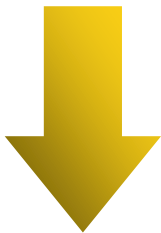
* Per today's announcement, expected to close in October, 2011

Deal Further Penetrates Large U.S. Retail Market Opportunity

Jacobs Trading strengthens our penetration and growth in \$60 Billion U.S. Retail market

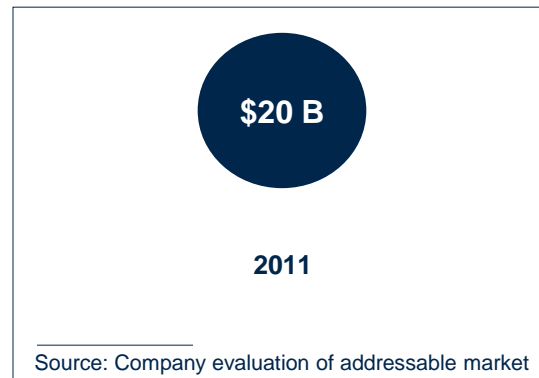
U.S. Retail

Liquidation.com



U.S. Capital Assets

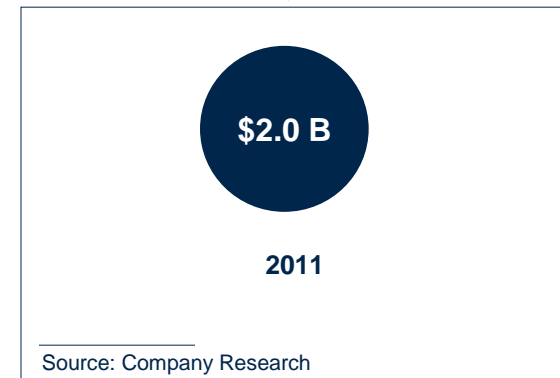
Network INTERNATIONAL



Public Sector

Government Liquidation

GovDeals[®]
A Liquidity Services Marketplace

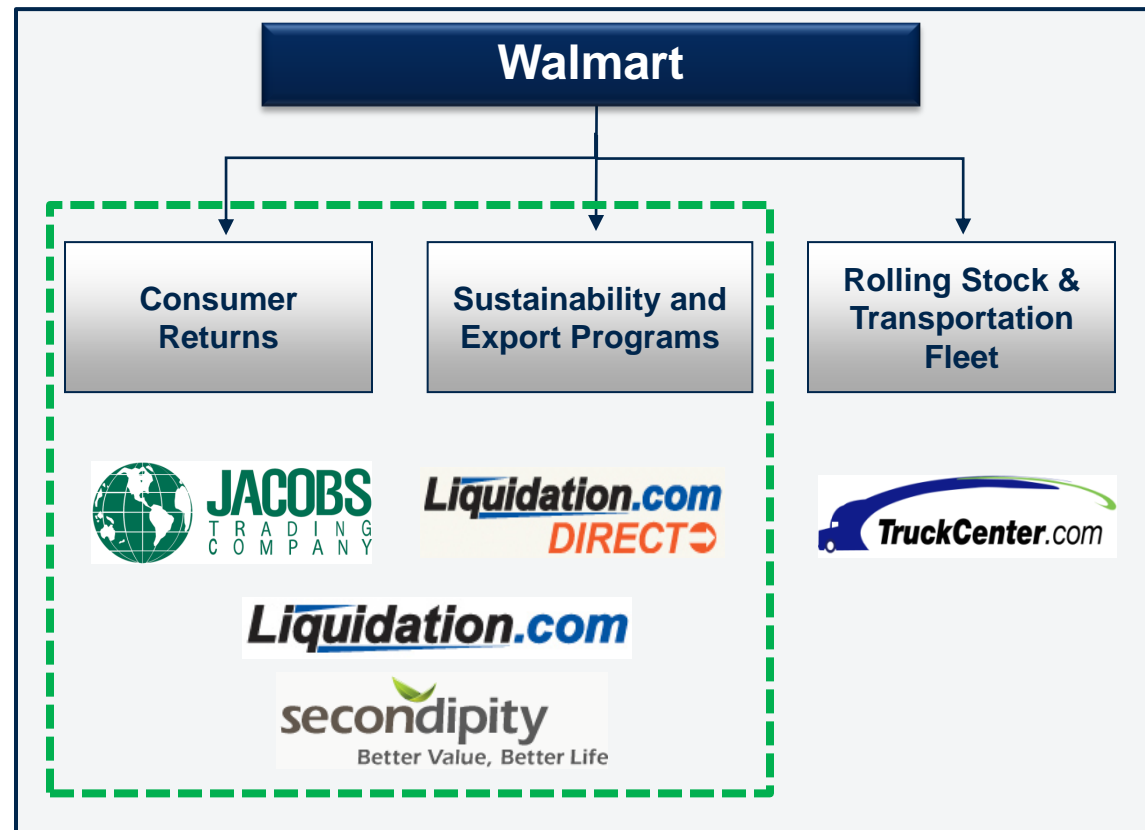


Expands Our Relationship with Walmart

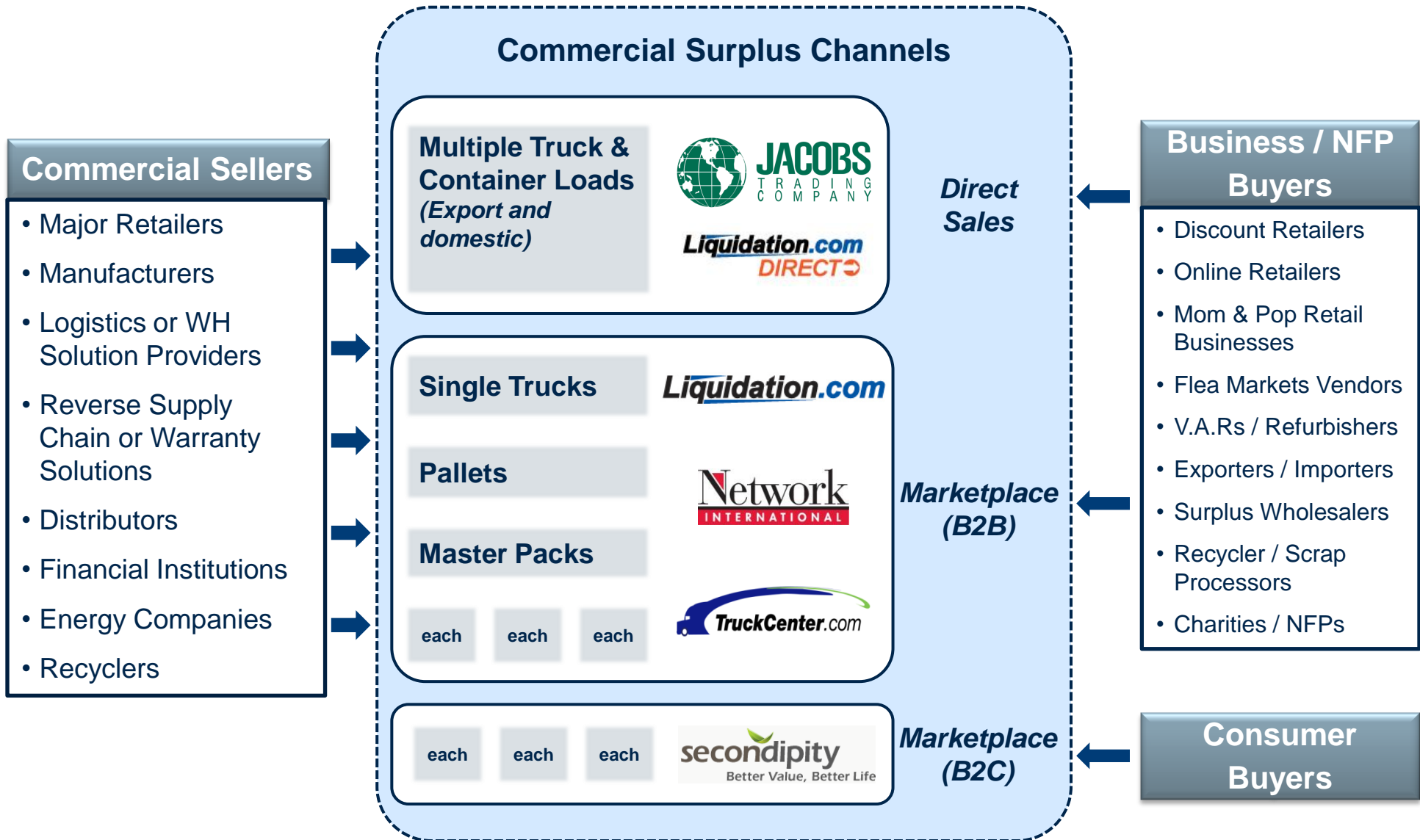
Uniquely broad reverse supply chain solution for the world's largest retailer

Expands Existing Solution

- 20+ year performance record of service excellence
- Expertise in protecting client channels/brands
- Supports Walmart's strategy as a leader in environmental sustainability programs
- Five-year exclusive supply arrangement:
 - General merchandise
 - Seasonal items
 - Apparel
 - Certain electronics and other merchandise



Enhances Channel Optimization for Commercial Surplus: Increases Supply/Demand For Full Truckload and Export Sales



Jacobs Trading:

A Natural Complement to Liquidity Services

Liquidity
Services Inc.

- **Jacobs Trading is a privately held provider of remarketing and reverse logistics solutions to leading Fortune 500 retailers and consumer goods manufacturers**
- **Specializes in solving the excess inventory and return challenges of U.S. manufacturing and retail businesses**
- **Over 20 year relationship and track record of service excellence with world's largest retailer with long term exclusive pipeline of products**
- **Specialized sales force and strong relationships with domestic and export wholesale buyer base for salvage and returned consumer goods in all categories**
- **Strong growth potential driven by clients' sustainability initiatives and desire to leverage trusted partners to drive efficiencies in reverse supply chain**
- **Experienced management team with decades of merchandising experience, product domain expertise and relationships directly relevant to growing LSI's consumer goods business.**

Compelling Business Model

- **Long-term relationships, exclusive supply arrangements**
- **Attractive cash flows and margins**
- **Fixed price direct sales channels**
- **Large average transaction sizes**
- **Longstanding wholesale buyer network**

Financial Performance

- **CY10 revenues of \$65.3 Million**
 - *3 year CAGR of 26%*
- **CY10 Adj. EBITDA* of \$18.3 Million**
 - *3 year CAGR of >100%*
- **ROIC > 100%**

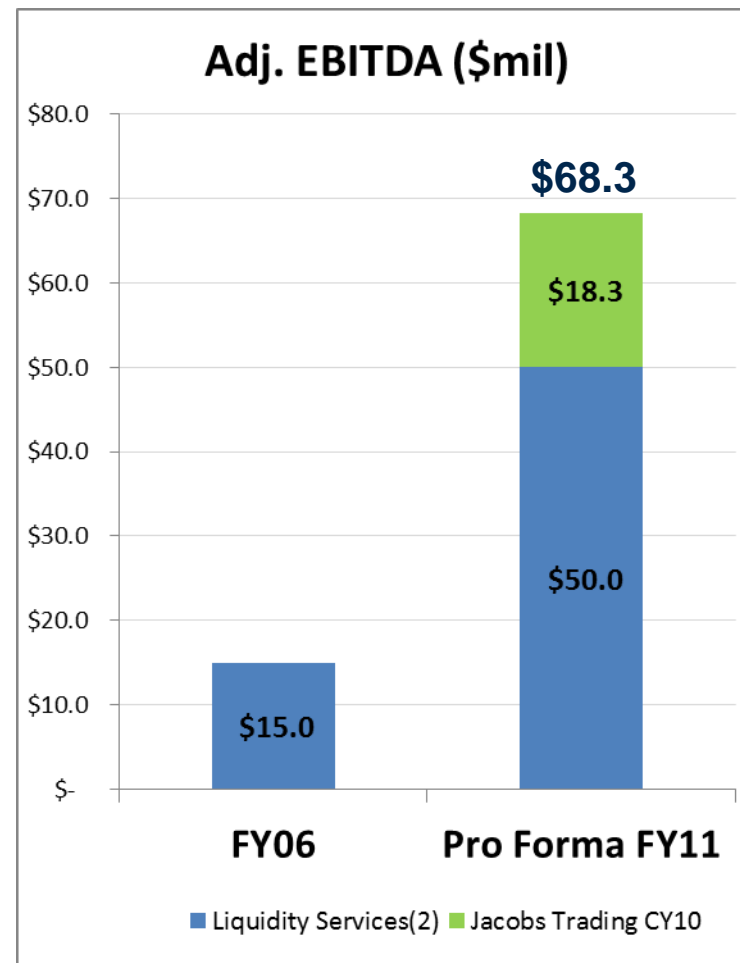
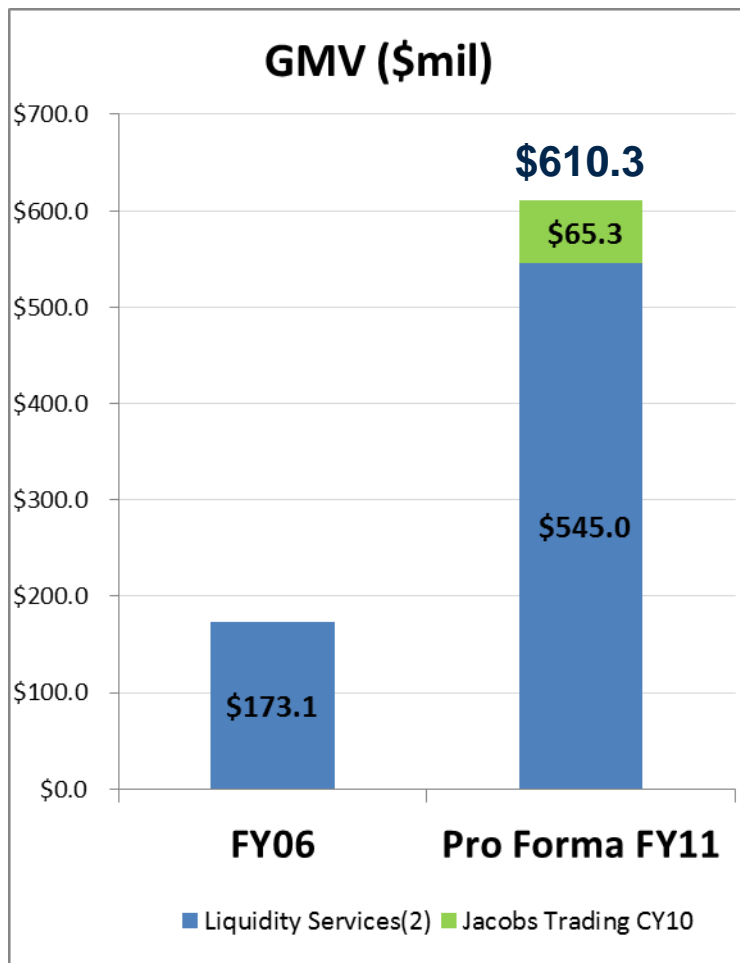
* The corresponding GAAP measure to Adjusted EBITDA (Net Income) will be included in a Form 8-K with detail on Jacobs Trading historical financial information expected to be filed with the SEC within 70 days of closing.

Combination improves scale, operating leverage and margins

- **Cross-selling of services to existing clients**
- **Product merchandising and underwriting expertise**
- **Leverage national distribution center network**
- **Largest B2B buyer base**
- **Direct sales force**
- **B2C capabilities**
- **IT capabilities**

Pro Forma Metrics: Liquidity Services GMV and Adjusted EBITDA

Significant GMV and Adjusted EBITDA⁽¹⁾ growth

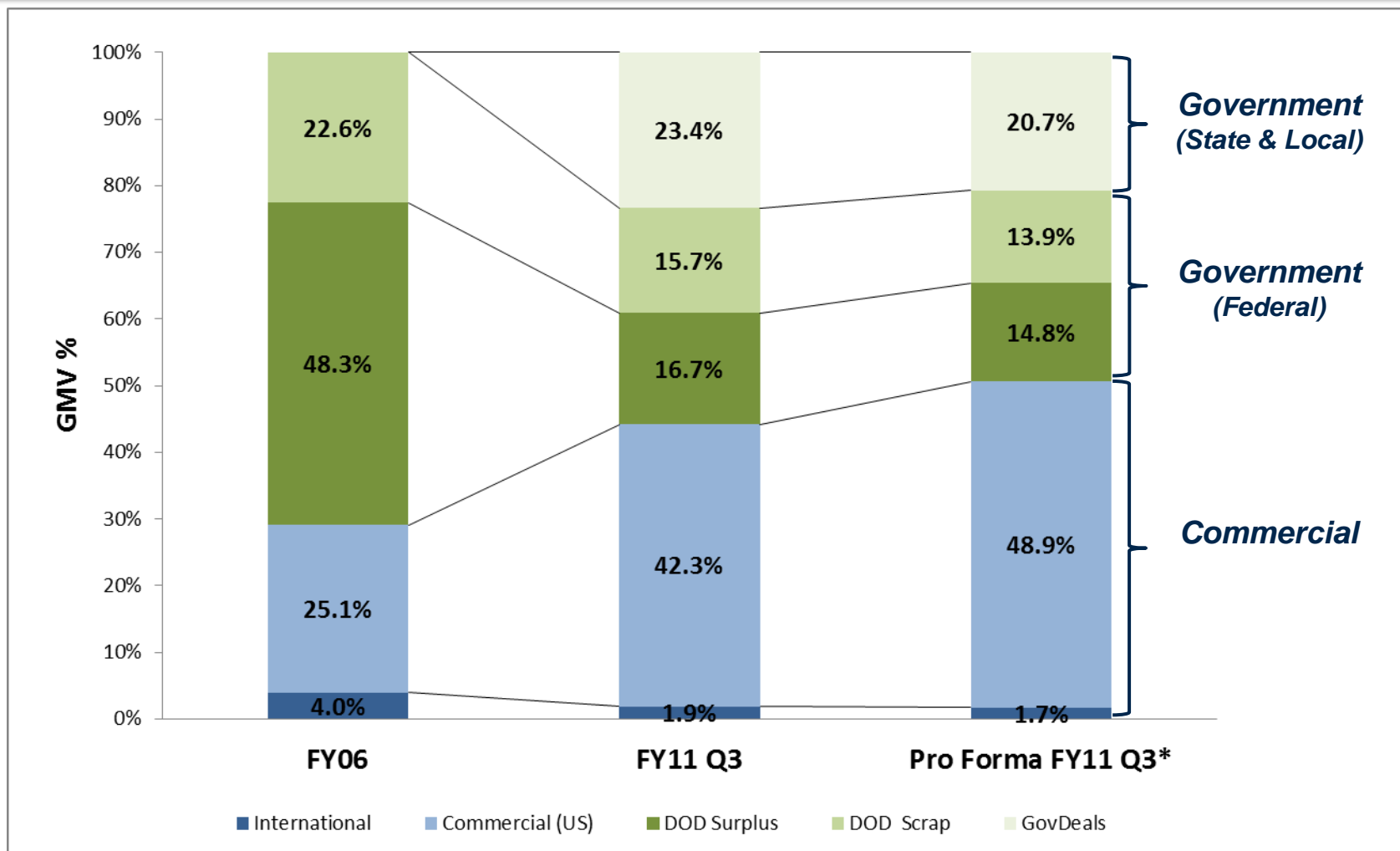


(1) Liquidity Services adjusts EBITDA for stock-based compensation and acquisition costs & goodwill impairment. For a reconciliation of Adjusted EBITDA to Net Income, please see our investor presentation or historic earnings press releases posted to the Investors section of our website.

(2) Mid-point of guidance range for FY11 provided in August 3, 2011 in Liquidity Services earnings release.

Pro Forma Metrics: Liquidity Services GMV by Seller Segment

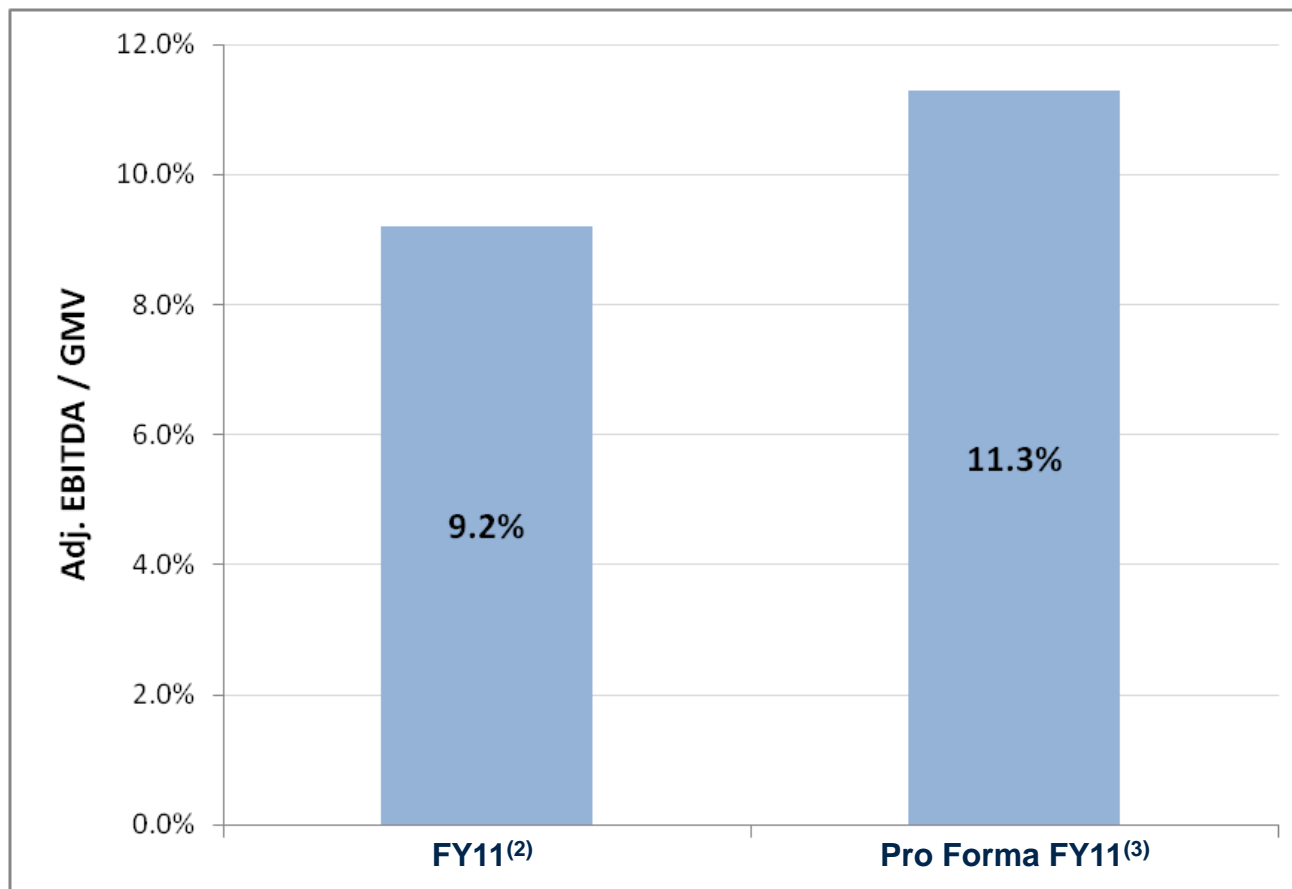
Jacobs Trading adds significant GMV diversification



* Pro Forma FY11 Q3 including Jacobs Trading GMV

Pro Forma Metrics: Liquidity Services Adjusted EBITDA Margins

Expanded Adjusted EBITDA⁽¹⁾ margins



(1) Liquidity Services adjusts EBITDA for stock-based compensation and acquisition costs & goodwill impairment. For a reconciliation of Adjusted EBITDA to Net Income, please see our investor presentation or historic earnings press releases posted to the Investors section of our website.

(2) Based on mid-point of guidance range for FY11 provided in August 3, 2011 in Liquidity Services earnings release

(3) Pro Forma FY11 including Jacobs Trading

Pro Forma Metrics: Liquidity Services Credit Ratios

Low leverage ratios

	(\$mil)
Total Debt¹	\$40.0
Total Cash²	\$24.4
Net Debt	\$15.6
Adj. EBITDA Pro Forma	\$68.3
Total Debt/EBITDA	0.6x
Net Debt/EBITDA	0.2x

(1) LSI June 30, 2011 balance sheet plus \$40.0 million seller note

(2) LSI June 30, 2011 balance sheet less \$80 million cash used to finance acquisition

- **Liquidity Services to acquire Jacobs Trading for \$140 million plus \$30 million of potential performance payments tied to CY12 and CY13 EBITDA results**
- **Deal enhances our position as the Leading Reverse Supply Chain Solution by expanding our existing relationship with Walmart and adding a critical mass of manufacturer clients, products and buyers to our leading consumer goods marketplace**
- **This strategic combination will enable our respective clients and buying customers to utilize a broader array of innovative value added services, sales channels and distribution center locations to save costs, improve cycle times and accelerate sustainability initiatives within the retail supply chain**
- **We expect the transaction to add 28 to 33 cents per cash-based diluted earnings per share to our fiscal 2012 results, excluding one-time deal expenses and assuming an October 1, 2011 closing date**
- **We believe the transaction will create significant GMV and EBITDA diversification**