

Liquidity Services Inc.

NASDAQ: LQDT

Investor Presentation Q1 FY'12

Liquidation.com

**Government
Liquidation**

GovDeals[®]

**Network
INTERNATIONAL**

 **JACOBS
TRADING
COMPANY**

 **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.

- **Leading E-Commerce Marketplace for Surplus Assets**
- **Large and Growing Market Opportunity**
- **Compelling Customer Value Proposition and Prestigious Client Roster**
- **Extensive Base of Buyers and Sellers with a Network Effect**
- **Proven Track Record of Growth and Profitability**
- **Strong Growth Prospects with Key Competitive Advantages**
- **Committed Team and Board with High Inside Ownership**

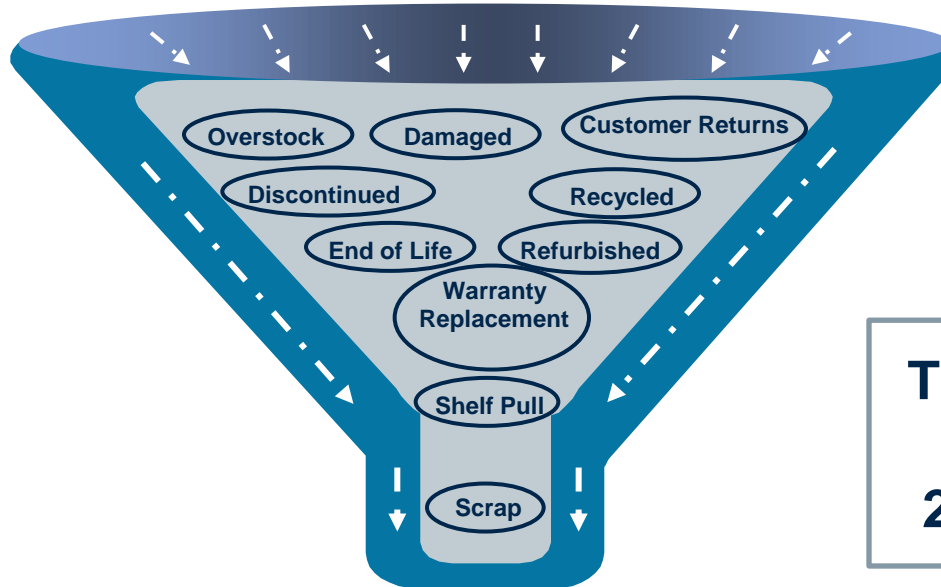
Reverse Supply Chain Market Overview

THE TRADITIONAL SUPPLY CHAIN



Macro Drivers

- Return Policies
- Product Innovation
- Regulatory Policies
- Supply Chain Inefficiencies



The secondary market is 2.28% of GDP

THE REVERSE SUPPLY CHAIN

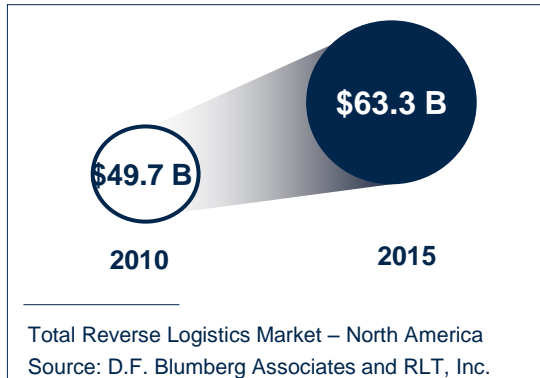
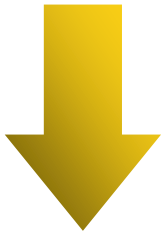
Surplus and Salvage Goods

Inefficient and Fragmented Marketplace Has Led to Historically Low Recovery Values

Addressing Multiple Large Market Opportunities

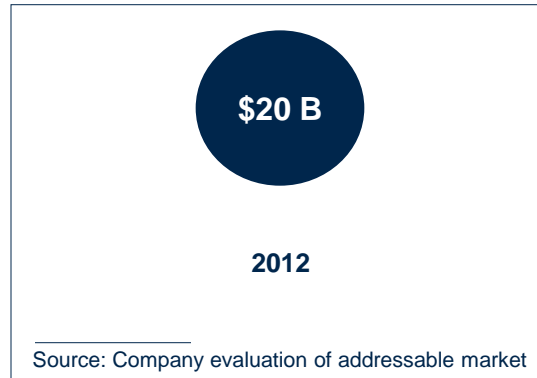
U.S. Retail

Liquidation.com



U.S. Capital Assets

Network INTERNATIONAL



Public Sector

Government Liquidation

GovDeals



LSI Solution – A Differentiated and Scalable Online Marketplace


Hello bobshaw, we have recommendations for you. (Not bobshaw?) TESTED 26-OCT BBB BUSINESS PayPal

-- Search -- All Categories All Conditions All Locations Search

All Categories Advanced Search

Home > Consumer Electronics > Video Games > Sony Playstation 3 Consoles!...

Sony Playstation 3 Consoles! All Cables Included Est. MSRP \$2,100 Auction ID 2114976
Includes Cables and Games and 3 Year Limited Manufacturer's Warranty



1

Place a Bid

Total Bids (View History) 57
Current High Bid (per lot): \$1,100.00
Per Unit Price: \$125.00
Minimum Bid: \$1,150.00

\$ **Place Bid**

Time Left:
Days: 2 Hours: 21 Minutes: 42
End Date: 07/31/09 04:50 PM EST

The auction closing time will automatically extend by 3 minutes whenever a new bid is submitted with the 3 minutes before auction closing.

Attention: Do not use a PO Box address. Packages cannot be shipped to PO Box addresses.

About Proxy Bidding

Seller Profile

WarehouseVideo 3
Selling for: 2 years and 3 months
Fulfilled by: Liquidation.com

	1 month	6 months	1 year	Ranking
Completed Transactions:	8	1000+	10,000+	
Average Days to Ship:	2.5	2.2	2.1	★★★★★
Buyer Dispute Rate:	100%	100%	100%	★★★★★
Repeat Buyer Rate:	80%	81%	79%	★★★★★
Seller Cancellation Rate:	2%	1%	1%	★★★★★

View WarehouseVideo's Other Auctions

- Add to My Watchlist
- Get a Shipping Quote
- Email This Auction
- Questions and Answers

Summary and Description

Shipping Details

Terms & Conditions

4

Summary

Auction Type:	Standard	Asset Location:	Sacramento, CA
Condition:	Returns	Zip Code:	95255
Total Lots Available:	1	Buyer's Premium:	5%

Consumer Returns and Shelf Pulls



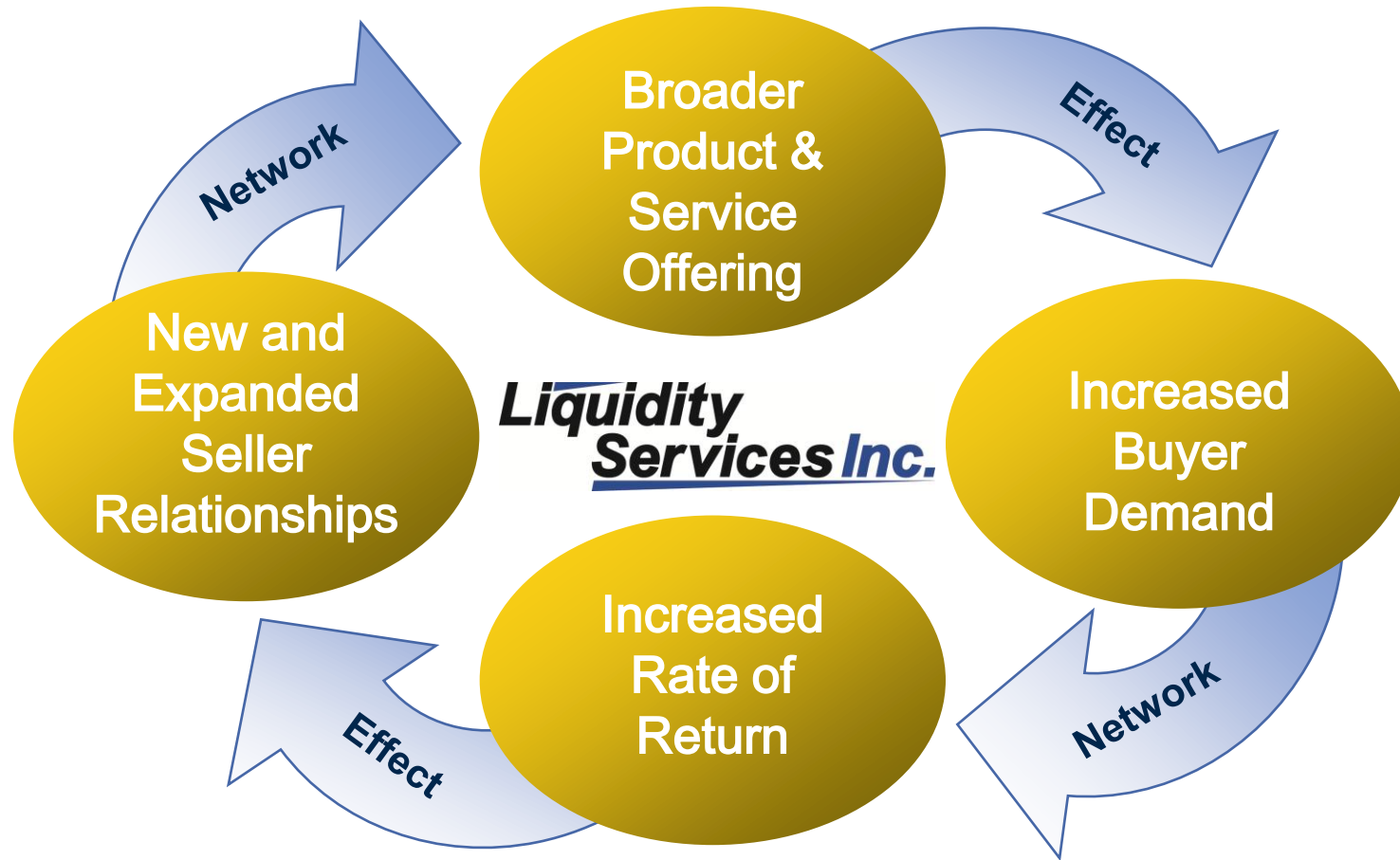
Government Surplus Property



Capital Assets



The Liquidity Services Network Effect



LSI Delivers Significant Value to Buyers and Sellers Creating a Network Effect

Our Professional Buyers

- **Online Power Sellers**
- **Discount Retailers**
- **End Users**
- **VARS / Refurbishers**
- **Import / Export Firms**
- **Flea Market Resellers**
- **Scrap Recyclers**

Buyer Benefits

- **Access to Large Flow of Assets**
- **Prices Below Wholesale Cost**
- **Product Search Tools & Alerts**
- **Turn-key, Low Cost Shipping**
- **Secure Settlement**
- **Customer Support**

LSI Provides the Right Services to Gain Buyer Trust and Satisfaction



Logistics Services

- 7 U.S. Warehouse locations totaling 1.7 million square feet
- 5 U.S. Lot/Yard Locations totaling 62 acres
- Negotiated rates with leading national carriers
- Buyer pick-up services
- Full menu of seller services

LSI Provides Integrated Logistics Services to Meet Buyer and Seller Needs

Professional Seller Base

- 7 of the top 10 U.S. Retailers
- 2 of the top 3 Online Retailers
- 3 of the top 4 Warehouse Clubs
- 8 of the largest Industrial Multinationals
- U.S. Department of Defense
- 4,200+ State and Local Government Agencies
- Middle Market Retailers
- Service Companies
- Distributors and VARs
- Manufacturers and OEMs

Seller Benefits

- Access to over 1.6 million Professional Buyers
- Full Transparency
- Higher Net Returns
- Faster Sales Cycle
- Brand and Channel Protection
- Incentive Aligned Interests
- Regulatory Compliance
- Integrated Logistics Services

LSI Serves a Growing Pipeline of Large and Mid-size Sellers

Growing Roster of Retail Supply Chain Sellers



KENNETH
COLE REACTION



GANDER MTN.
WE LIVE OUTDOORS

WAL*MART



CINTAS
THE SERVICE PROFESSIONALS



EVERY SEASON STARTS AT
DICK'S
SPORTING GOODS

BIG 5
SPORTING GOODS

COSTCO
WHOLESALE

STANLEY



Eddie Bauer
EST. 1920

KOHL'S
expect great things

amazon.com



overstock.com

Boscov's



ShopNBC



TARGET



OSH
Onhand Supply Hardware



j Jill.com

PEPBOYS



SenecaData
The Leading Source of Innovative Technology Solutions



Gibson

D-Link
Building Networks for People

Fred Meyer

PC Mall

QVC

Capital Asset Market Leadership

- Over 50% of LSI's Business is Capital Assets
- Over 4,200+ State and Local Government Sellers
- Over 500 Commercial Clients in retail, energy and financial services sectors
- Exclusive Contracts with Department of Defense



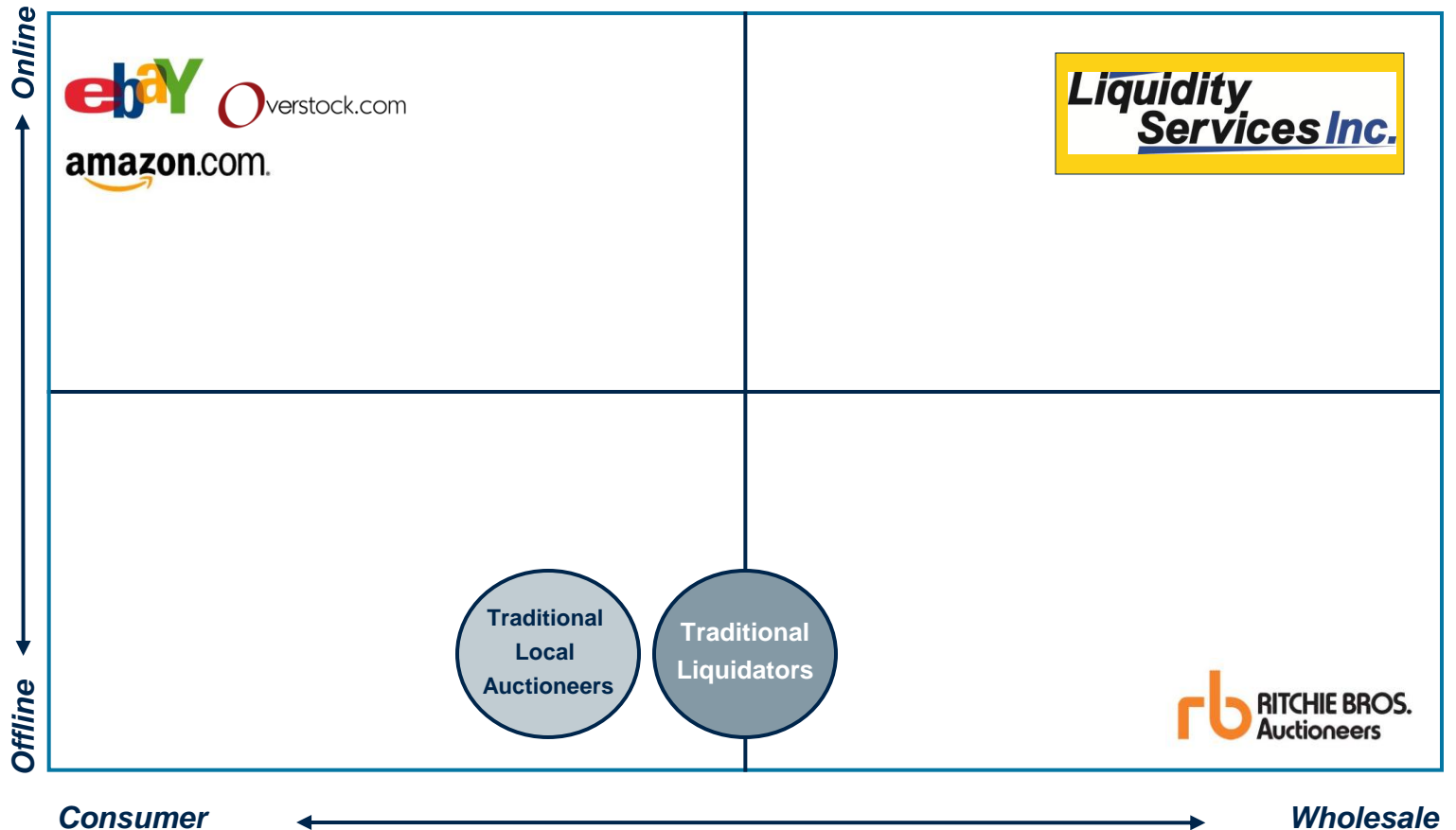
Differentiated Competitive Position

eCommerce Players

- Consumer Focus
- Single units/small lots
- New or like-new vintage merchandise
- Commodity/low margin products
- Competition with brick & mortar

Traditional Offline Players

- Geographically limited customer reach
- Outdated sales methods
- Limited tracking and compliance capabilities
- Misaligned incentives
- Not scalable solution



LSI's Wholesale Focused Online Marketplace is Highly Differentiated

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 \$1.5 billion in GMV and \$150 million in Adj. EBITDA within the next five years.

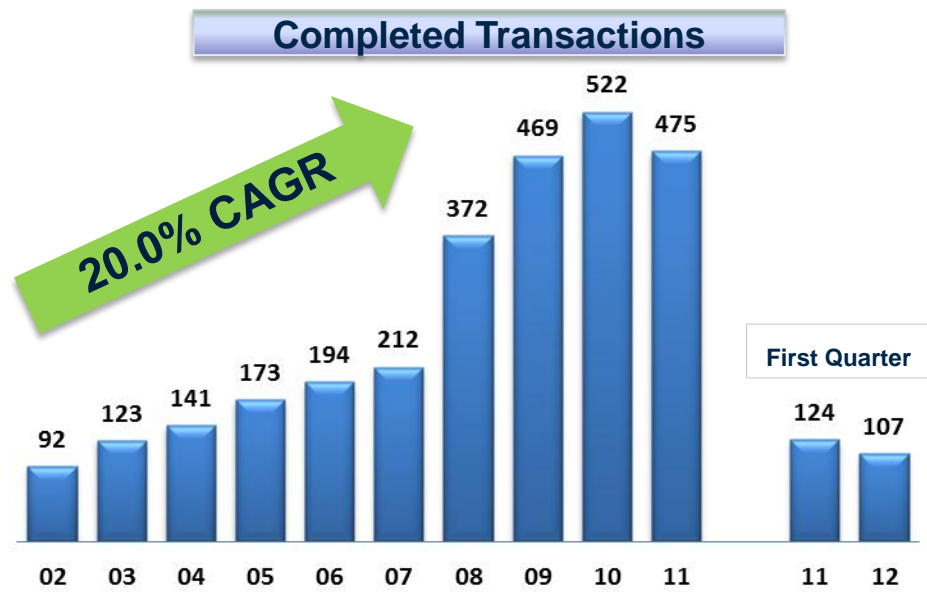
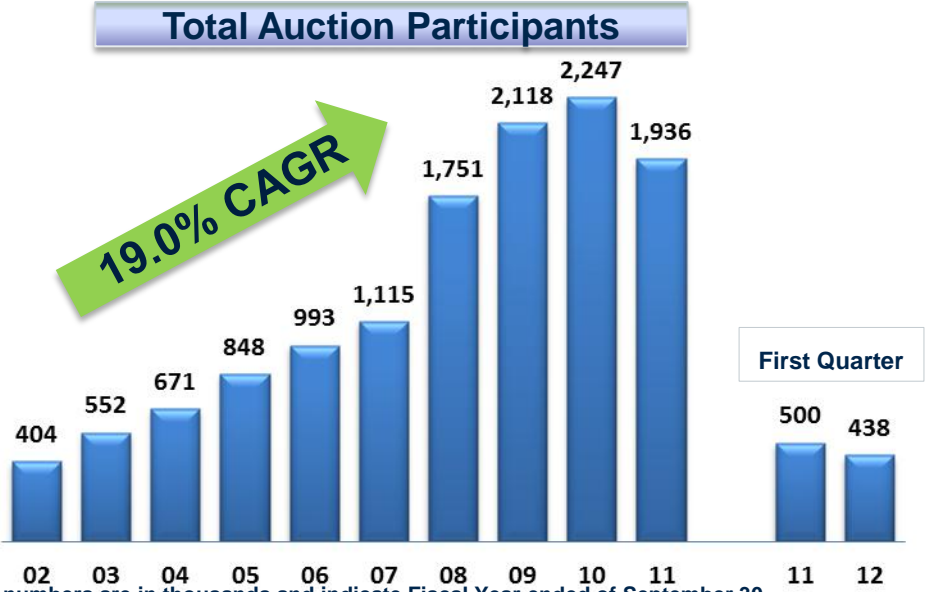
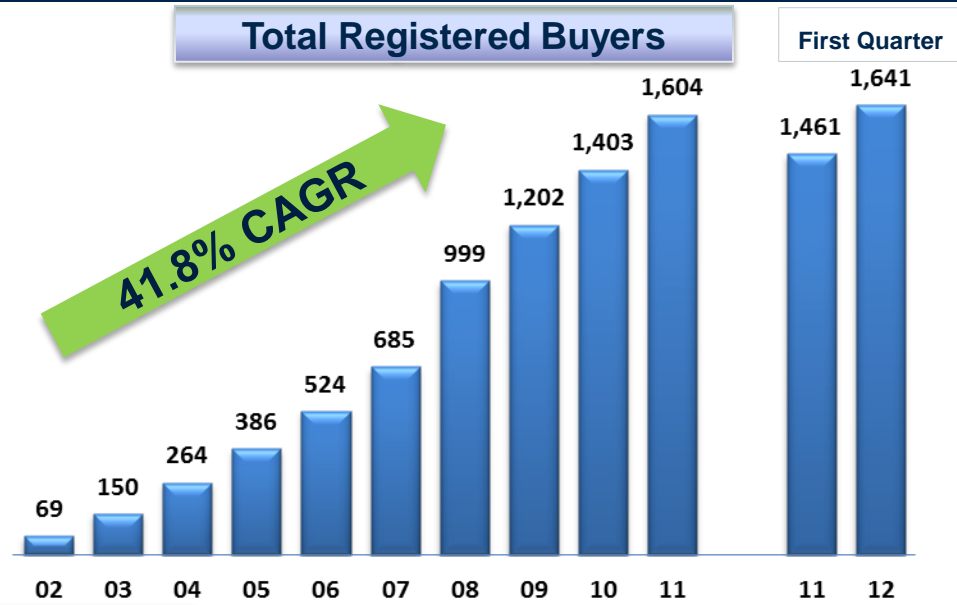
Compelling Business Model

- **High Customer Value**
- **Multiple, Recurring Revenue Streams**
- **Large Average Transaction Values**
- **Diversified Product and Customer Mix**
- **Significant Barriers to Exit as Critical Mass Builds**

Strong Financial Position

- **\$68.8 Million of Cash, net of Jacobs Trading acquisition payment**
- **\$40 million of subordinated debt**
- **Strong Cash Flow Dynamics – trailing 12 month Adj. EBITDA of \$64.3 million and operating cash flow of \$44.0 million**
- **37 Consecutive Quarters of Profitability**
- **Minimal Cap Ex – \$5.0 - \$6.0M annually**

Liquidity Services Key Operating Metrics*

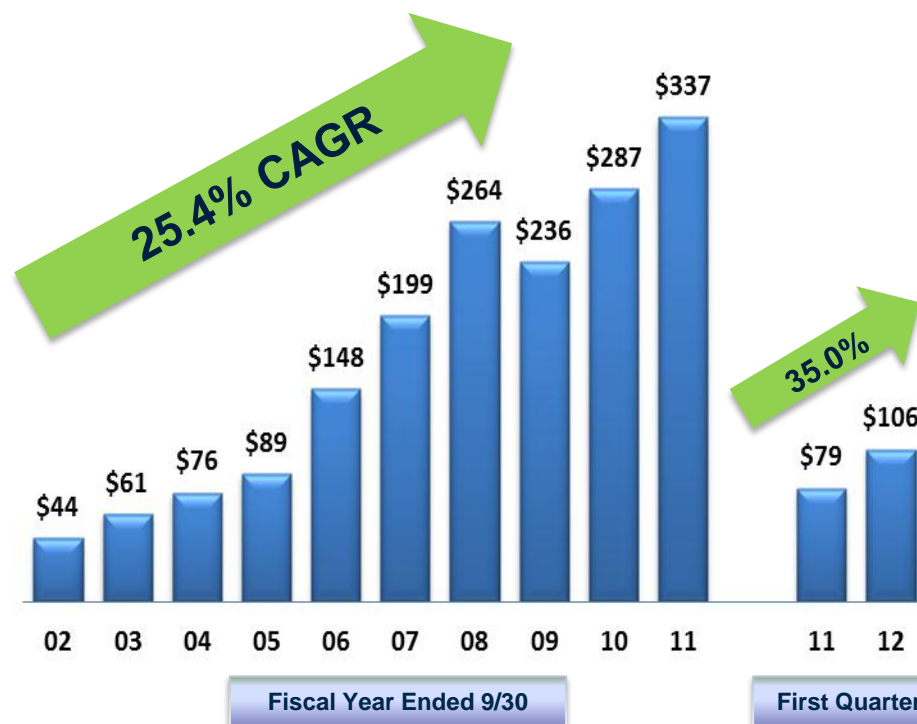


*All numbers are in thousands and indicate Fiscal Year ended of September 30.

Gross Merchandise Volume



Revenue



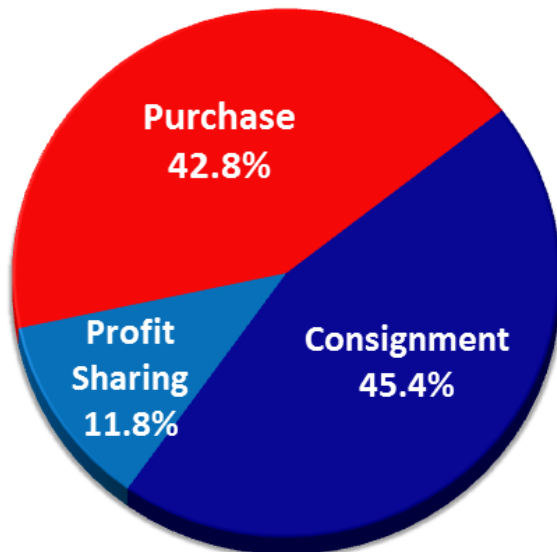
Multiple, Synergistic Revenue Streams

- Consignment Model
- Profit Sharing Model
- Purchase Model
- Buyer Premium Fees

* All numbers are in millions.

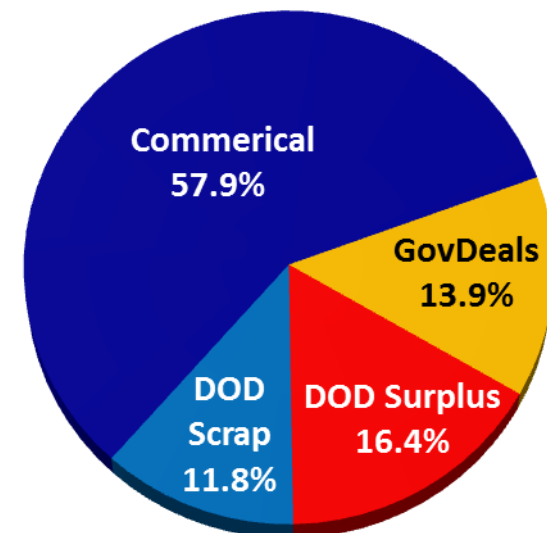
GMV Mix

Pricing Model



Q1 '12

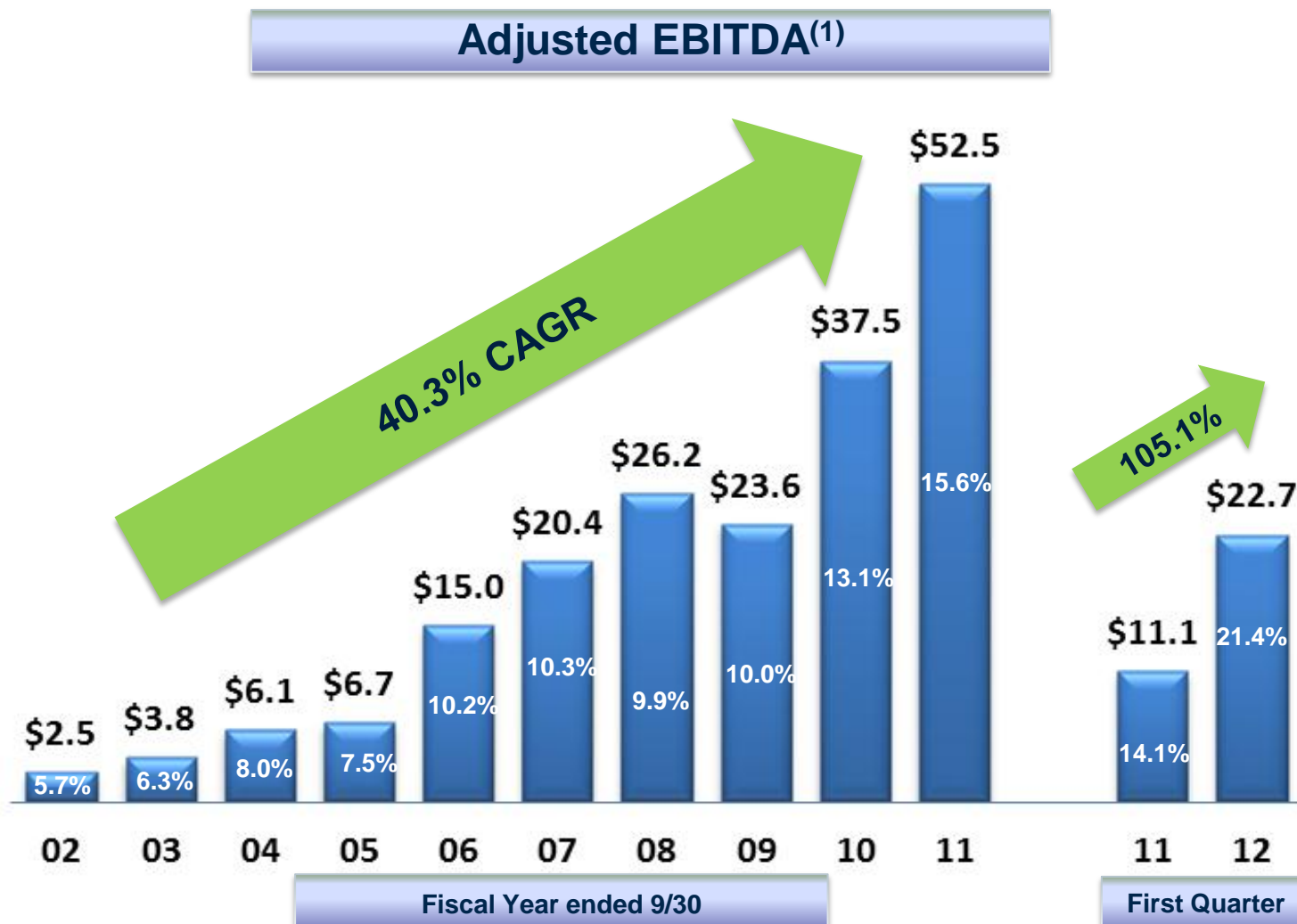
Seller Base



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LSI Has a Diversified Business and Seller Base

Consistent Profitability



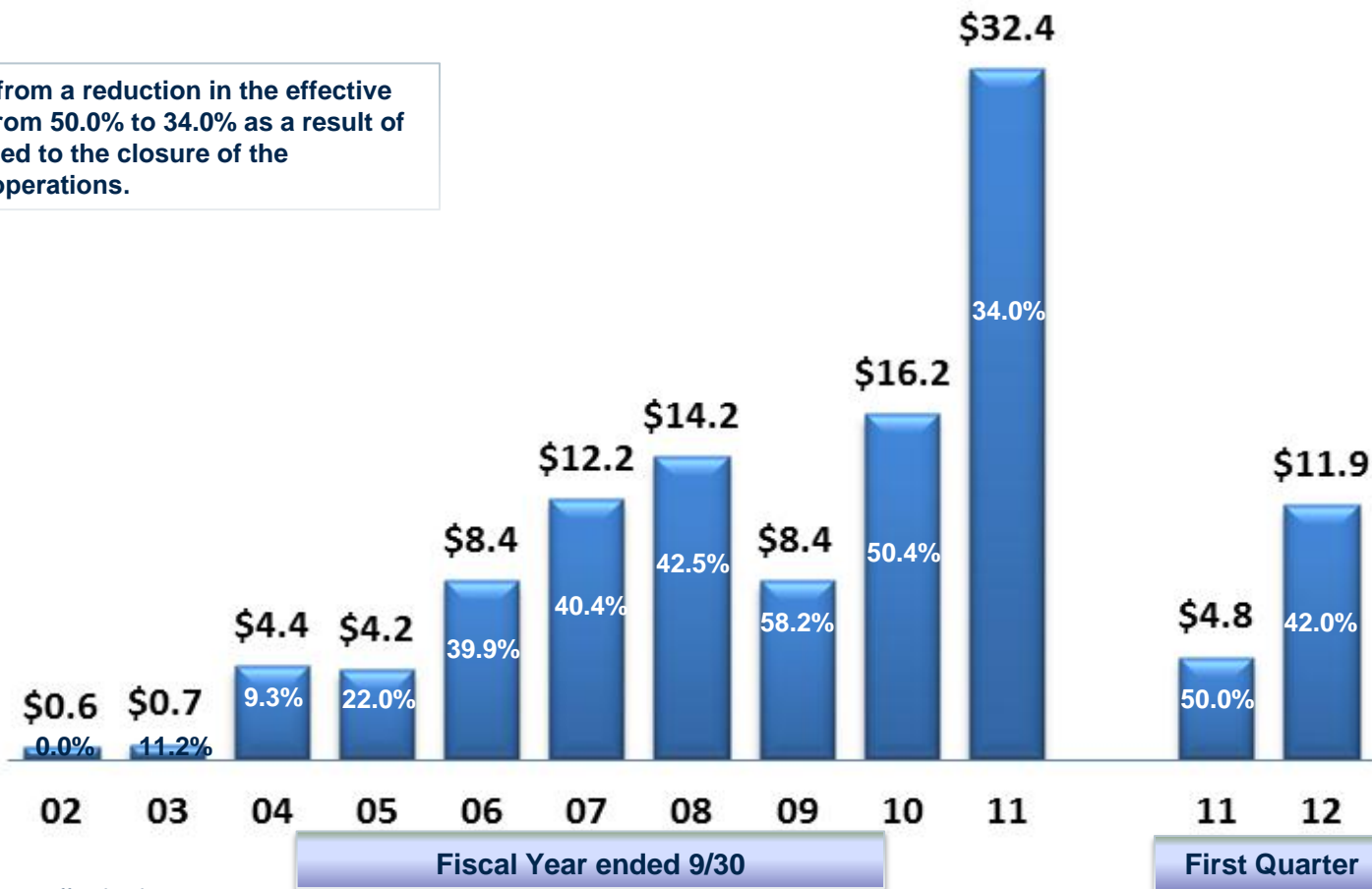
Note: Percentages indicate margin based on GAAP Revenue

(1) Adjusted EBITDA shown for fiscal years 2002 – 2011 and the interim time periods includes adjustments for stock-based compensation and acquisition costs & goodwill impairment. For the fiscal years ended September 30, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010 and 2011, Net Income was \$1.3M, \$2.8M, \$5.3M, \$4.1M, \$8.0M, \$11.0M, \$11.6M, \$5.7M, \$12.0M and \$8.5M, respectively. For the three months December 31, 2010 and 2011, net income was \$1.4M and \$9.1M, respectively.

Consistent Profitability

Adjusted Net Income⁽²⁾

FY'11 benefitted from a reduction in the effective income tax rate from 50.0% to 34.0% as a result of a tax benefit related to the closure of the company's U.K. operations.



Note: Percentages indicate effective income tax rate

(2) Adjusted Net Income shown for fiscal years 2002 – 2011 and the interim time periods includes adjustments for stock-based compensation and a portion of certain acquisition payments & goodwill impairment. For the fiscal years ended September 30, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010 and 2011, Net Income was \$1.3M, \$2.8M, \$5.3M, \$4.1M, \$8.0M, \$11.0M, \$11.6M, \$5.7M, \$12.0M and \$8.5M, respectively. For the three months December 31, 2010 and 2011, net income was \$1.4M and \$9.1M, respectively.

Operating Model

	FY 2009	FY 2010	FY 2011	Q1 2012
Gross Merchandise Volume	100%	100%	100%	100%
Revenue	66.3%	66.7%	60.4%	59.2%
Cost of Goods Sold	24.3%	27.7%	24.3%	24.2%
Profit-Sharing Distributions	12.7%	10.0%	8.9%	7.0%
Technology and Operations	13.1%	11.4%	9.9%	8.8%
Sales and Marketing	5.1%	5.0%	4.3%	3.6%
General and Administrative ⁽¹⁾	4.5%	3.9%	3.6%	2.9%
Adjusted EBITDA Margin ⁽²⁾	6.6%	8.7%	9.4%	12.7%

(1) General and Administrative excludes stock-based compensation, acquisition costs and goodwill impairment

(2) See slide #22 for a reconciliation to Adjusted EBITDA and Adjusted Net Income

Reconciliation of Financial Data

In Thousands	Year ended September 30,										3 months ended December 31,	
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2010	2011
Net (Loss) Income	\$1,324	\$2,776	\$5,269	\$4,122	\$7,981	\$11,019	\$11,553	\$5,719	\$12,013	\$8,512	1,383	9,126
Interest (income) expense & other income, net	169	391	621	570	(431)	(2,176)	(1,495)	(516)	(69)	111	21	525
Provision for income taxes	-	351	541	1,166	5,295	7,460	8,546	7,961	12,194	4,419	1,383	6,609
Amortization of contract intangibles	2,483	1,862	-	135	813	813	813	813	813	813	203	2,020
Depreciation and amortization	408	465	531	586	727	1,302	2,083	3,116	4,124	5,519	1,190	1,526
EBITDA	\$4,384	\$5,845	\$6,962	\$6,579	\$14,385	\$18,418	\$21,500	\$17,093	\$29,075	\$19,374	\$4,180	\$19,806
Stock compensation expense	-	-	85	87	623	1,943	4,674	6,465	7,891	9,136	2,216	2,625
Acquisition costs and goodwill impairment	-	-	-	-	-	-	-	-	524	24,167	4,695	318
Adjustment	(1,899)	(2,095)	(932)	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	\$2,485	\$3,750	\$6,115	\$6,666	\$15,008	\$20,361	\$26,174	\$23,558	\$37,490	\$52,677	\$11,091	\$22,749
	Year ended September 30,										3 months ended December 31,	
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2010	2011
Profit Sharing distributions	\$17,717	\$30,427	\$39,718	\$48,952	\$80,253	\$69,638	\$91,106	\$45,333	\$42,876	\$49,318	10,326	12,487
Adjustment	1,899	2,095	932	-	-	-	-	-	-	-	-	-
Adjusted profit-sharing distributions	\$19,616	\$32,522	\$40,650	\$48,952	\$80,253	\$69,638	\$91,106	\$45,333	\$42,876	\$49,318	\$10,326	\$12,487
Net income	\$1,324	\$2,776	\$5,269	\$4,122	\$7,981	\$11,019	\$11,553	\$5,719	\$12,013	\$8,512	1,383	9,126
Amortization of contract intangibles (net of tax)	-	-	-	-	-	-	-	-	-	-	-	1,054
Stock compensation expense (net of tax)	-	-	85	68	374	1,158	2,687	2,702	3,914	6,029	1,108	1,523
Acquisition costs (net of tax)	-	-	-	-	-	-	-	-	260	15,950	2,348	184
Adjustment	(1,899)	(2,095)	(932)	-	-	-	-	-	-	-	-	-
Adjusted net income	(\$575)	\$681	\$4,422	\$4,190	\$8,355	\$12,177	\$14,240	\$8,421	\$16,187	\$30,491	\$4,839	\$11,887