

25 August 2015

**Grays eCommerce Group reports strong FY15 result with a significant increase in operating EBITDA.**

Grays eCommerce Group Limited (ASX: GEG), Australia's largest listed eCommerce group, today announced its results for the 2015 financial year (FY15) - a year in which the company grew revenue and earnings.

**FY15 key highlights \***

- Gross sales up 36.4% to \$508.6 million (FY14: \$372.9 million)
- Revenue up 31.5% to \$192.9 million (FY14: \$146.8 million)
- Earnings before interest, tax, depreciation and amortisation, before transaction and business combination costs (EBITDA) up 87.2% to \$6.9 million (FY14: \$3.7 million)
  - merger transaction and business combination costs of \$6.5 million (FY14: \$4.8 million including impairment costs)
- Statutory net profit after tax was a loss of \$1.2 million (FY14: loss \$4.0 million)
- Strong balance sheet with no debt and cash of \$7.0 million (FY14: cash of \$1.5 million)

*\*Note: As a consequence of the reverse acquisition and listing in November 2014, the FY15 result reflects a full 12 month contribution from Grays and nearly 8 month contribution from Mnemon (MNZ). The contribution from MNZ was approximately \$44.8m of revenue and an EBITDA loss of approximately \$0.9m for the 8 month period.*

Commenting on the FY15 result, Grays eCommerce Chief Executive Officer Mark Bayliss said:

“Despite being a year of considerable change, the FY15 result provides a clear indication of the strength of our business and the quality of our people. This was a transformational year in which we listed on the ASX and established the organizational and cultural identity of the merged business, while also streamlining operations to drive efficiencies. We also implemented a new funding facility, strengthened the Board and management, and progressed several strategic growth initiatives.

“Having identified a number of opportunities in the Industrial B2B segment, we acquired DMS Davlan and Bryan Andrews Auctioneers. DMS Davlan is the leading agribusiness machinery auction house in Australia with a national footprint and a number of regional locations. We also expanded our geographic footprint through the acquisition of Bryan Andrews Auctioneers based in Christchurch, New Zealand.

“We recognize that aggregation is inevitable in the online retail marketplace and have successfully integrated the DealsDirect and Grays consumer offerings, on time and on budget. This integration will generate more than \$3 million of annual cost synergies from FY16. In addition, we launched a wine specific website, [www.grayswines.com.au](http://www.grayswines.com.au), to build on our position as the third largest online wine business in Australia.”

**B2B – strong growth driven by transportation, mining and construction, and an increased presence in South East Asia**

For FY15, the B2B division generated the following results:

- Gross Sales up 51.1% to \$342.0 million (FY14: \$226.3 million)
- Revenue up 32.6% to \$56.3 million (FY14: \$42.5 million)
- EBITDA up 74.6% to \$13.0 million (FY14: \$7.4 million).

Commenting on the performance of the B2B division, Mr Bayliss said:

“We are very pleased with the performance of our Industrial B2B business, with gross sales up 51% to \$342 million in FY15. EBITDA grew faster than earnings, up 75% as we leveraged our fixed cost base and as the benefits flowed from key investments in people and new premises.

“The strong performance in B2B has facilitated reinvestment in the business including new, larger premises in Queensland and Victoria, as well as investment in key senior sales and management personnel. Our B2B business is the established leader in its markets and we expect it will continue to be the growth engine for Grays eCommerce Group.”

### **B2C – challenging market dynamics for online fixed price retailing**

For FY15, the B2C division generated the following results:\*

- Gross sales up 13.7% to \$166.7 million (FY14: \$146.6 million)
- Revenue up 31.1% to \$136.1 million (FY14: \$103.8 million)
- EBITDA loss of \$1.7 million (FY14: loss of \$471k).

Commenting on the B2C division Mr Bayliss said: “ In FY15 our focus in Consumer B2C was based around maximising the returns from the combination of Mnemon’s and Grays’ Consumer B2C businesses. Wine continued to be the strongest category for B2C and was highly profitable on a stand-alone basis.”

### **Strong balance sheet**

At 30 June 2015, the company had no debt and \$7 million of cash. During the period, a \$10 million funding facility was put in place with CBA to support growth initiatives and general working capital requirements.

### **Positive outlook for FY16**

Commenting on the growth outlook for Grays, Mr Bayliss said:

“Having delivered strong growth in FY15 during a period of transition, we are well positioned to continue growing in FY16. The underlying market fundamentals of our key B2B division are very strong. Revenues and earnings from our recent acquisitions will flow through in FY16. In addition, further benefits resulting from our strategy execution will drive additional growth in this division.

“While growth in online consumer shopping is forecast, fixed price online retail is highly competitive. Offsetting this, we expect at least \$3 million of annual cost synergies and additional revenue synergies from the successful integration of DealsDirect and Grays to flow through from FY16. Wine, a category in which we are strongly placed is generating attractive returns and will continue to grow and benefit from the launch of our new dedicated online wine site, [www.grayswines.com.au](http://www.grayswines.com.au).

“Taking all of this into account, we expect to see continued growth in revenues and earnings over FY16. With the team, culture, vision and skills in place to drive future growth of the business, we believe we are well placed to leverage the platform we’ve built to drive ongoing growth in shareholder value.”

*\*Note: As a consequence of the reverse acquisition and listing in November 2014, the FY15 result reflects a full 12 month contribution from Grays and nearly 8 month contribution from Mnemon (MNZ). The contribution from MNZ was approximately \$44.8m of revenue and an EBITDA loss of approximately \$0.9m for the 8 month period.*

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**About Grays eCommerce Group Limited**

Grays eCommerce Group Limited is listed on the ASX (ticker: GEG). The company operates two business segments – B2B and B2C.

The B2B business segment comprises the business-facing components of the graysonline brand, the graysasset and graysmining brands, as well as DMS Davlan and Bryan Andrews Auctions. 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.

For further information go to [www.graysecommercegroup.com.au](http://www.graysecommercegroup.com.au) or [www.graysonline.com.au](http://www.graysonline.com.au)