

23 August 2016

## Grays eCommerce Group reports strong EBITDA growth from Continuing Operations

**23 August 2016 (Sydney):** Grays eCommerce Group Limited (ASX: GEG) is pleased to announce its results for the 2016 financial year (FY16) – a year which saw the company successfully transformed from a mix of retail and auction businesses to a predominantly Business to Business (B2B) auction focussed business.

### FY16 overview

- Statutory net loss after tax of \$20.0 million
- Revenue (Continuing Operations<sup>1</sup>) up 13.7% to \$124.9 million (FY15: 109.9 million)
  - 30.7% growth in B2B
- Earnings before interest, tax, depreciation and amortisation (EBITDA) from Continuing Operations up 32.8% to \$14.3 million (FY15: \$10.8 million)
- Significant items of \$25.3 million (pre-tax) relating to the sale of the Fixed Price Retail [FPR] business drove a statutory net loss after tax of \$20.0 million
- Strong balance sheet with no net debt
- Dividend policy introduced with dividends anticipated to commence from H1 FY17

*(1) Continuing Operations represent Grays' Industrial B2B and its B2C Auction businesses. Its Fixed Price Retail ("FPR") business is designated as Disposed Operations.*

Commenting on the FY16 result, Grays eCommerce Chief Executive Officer Mark Bayliss said:

"This is a strong result for FY16 with EBITDA from Continuing Operations significantly ahead of FY15. With the sale of our fixed price retail assets to MySale in November 2015, we have successfully refocused the business on its core strength of online auctions and put in place a number of initiatives to grow the business sustainably.

"In line with our B2B growth strategy, we invested in new facilities, systems and people. We also expanded our industrial B2B offering into the key agriculture segment with the acquisition of the leading agribusiness machinery auction house in Australia, DMS Davlan. This acquisition was successfully integrated in the first half, and earnings accretive in the second half of FY16.

"We saw an opportunity to leverage our experience in new markets, expanding our successful B2B offering into South-East Asia, where we are pleased to already have a growing pipeline of sales opportunities. Overall, our growth initiatives in B2B resulted in a substantial lift in revenue and earnings for this business division.

"Having exited the fixed price retail business, we refocused our B2C business on auctions. We developed new sourcing strategies to encourage quality supply, improve vendor yield and lift average sale price. Our initiatives included a new distribution channel in key consumer categories with the launch of an eBay store during the second half. This, combined with a reduction in warehouse space and other costs will assist us in optimising the B2C auction business and underpin further profitable growth."

## **B2B – Strong growth reflects the successful execution of Grays’ strategic plan**

For FY16, the B2B division generated the following results:

- Gross Sales up 41.3% to \$483.1 million (FY15: \$342.0 million)
- Revenue up 30.7% to \$73.4 million (FY15: \$56.2 million)
- EBITDA up 27.7% to \$16.5 million (FY15: \$13.0 million)

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

“We are pleased with the performance of our B2B business, with gross sales up 41.3% to \$483.1 million in FY16, and revenue up 30.7% to \$73.4 million.

“The growth in revenue was underpinned by initiatives implemented in key segments including Automotive, Transport and Mining. Banking, Insolvency and Finance and Major Corporate sales activity grew during the second half, while the integration of DMS Davlan also resulted in growth in the agricultural vertical. Diversity of revenue streams are a strength of our B2B division and help counter the lumpiness of insolvency revenues.

“Increased expenses reflect acquisitions and investments to support revenue growth, including facilities and business development staff. These investments are expected to underpin increased returns from FY17 on.”

## **B2C (Continuing Operations) – business realigned for future growth**

For FY16, the continuing operations of the Company’s B2C division generated the following results:

- Gross sales down 7.6% to \$84.2 million (FY15: \$91.2 million)
- Revenue down 4.3% to \$51.2 million (FY15: \$53.5 million)
- Expenses down 11.5% to \$30.2 million (FY15: \$34.1 million)
- EBITDA down 8.8% to \$2.1 million (FY15: \$2.3 million).

Commenting on the B2C division Mr Bayliss said: “The reduction in B2C revenue comes as major event sales were not repeated in FY16 having refocussed on product categories and vendors with growth potential and favourable margins, where we have a competitive advantage. Accordingly, we re-weighted stock levels to match these categories. In addition, initial growth from our recently launched GraysOnline eBay Store has been encouraging. In relation to costs, savings were realised from warehouse and logistics efficiency measures.”

## **Strong balance sheet**

At 30 June 2016, the company had a strong balance sheet and cash of \$2.8 million. The Balance Sheet movements reflect the transformation of Grays eCommerce, with a reduction in inventories being commensurate with an orchestrated sell-down from disposed operations, partially offset by restocking of profitable categories. We also put in place a new \$30 million banking facility that will provide the flexibility to take advantage of growth opportunities going forward.

## **Dividend policy introduced**

The Board is pleased to announce the introduction of a dividend policy, linked to growth in earnings per share with an expected dividend payout ratio around 40% of net profit after tax. It is anticipated dividends would commence following the release of H1 FY17 results and be fully franked.

## **Positive outlook for FY17**

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

“Having delivered strong growth in revenue and underlying earnings over FY16, driven by our core B2B division, we are well positioned to continue building momentum and growing over FY17.

“The recent appointment of an experienced Chief Marketing Officer will enable us to upgrade our internal capability to leverage our unique marketplace more fully.

“Investments made in new facilities, people and technology will allow us to take advantage of opportunities in the Automotive space. In relation to Mining and Transport, there is a vast quantity of equipment and vehicles parked up around Australia, providing ample growth opportunities for Grays eCommerce, having the leading position in these auction markets.

“Our B2B growth opportunities are diverse, with pleasing preliminary results from our measured expansion into South-East Asia. Furthermore, our Banking Insolvency and Finance business continues to have a strong pipeline of opportunities.

“The sale of our Fixed Price Retail business has allowed management to focus on our core auction businesses. Given the strategic initiatives we have put into place during FY16, and the diverse set of growth opportunities available to us, we expect solid growth in EBITDA from Continuing Operations in FY17 compared to FY16.”

- ENDS -

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## **About Grays eCommerce Group Limited**

*Grays eCommerce Group Limited (ASX: GEG) is one of Australia’s leading eCommerce groups. By leveraging existing operations, sourcing capabilities, and eCommerce experience, Grays eCommerce Group is well positioned to be the leading online international auctioneer by unlocking real value for our business partners, vendors and customers.*

*The Company’s B2B business 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 B2B 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 Company also provides an auction based site for wine and other consumer product categories.*

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