

25 February 2016

Grays eCommerce Group delivers earnings growth from Continuing Operations following the sale of its Fixed Price Retail business

25 February 2016 (Sydney): Grays eCommerce Group Limited (ASX: GEG) is pleased to announce its results for the six months ended 31 December 2015 (H1 FY16). This period saw the company transformed from a mix of retail and auction businesses to a predominantly B2B auction focussed business.

H1 FY16 financial performance

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

- Gross sales (Continuing Operations) up 12.9% to \$267.8 million (H1 FY15: \$237.2 million)
- Revenue (Continuing Operations) up 3.3% to \$62.2 million (H1 FY15: \$60.2 million), with significant growth in industrial B2B of 21.1%
- Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations up 9.3% to \$8.1 million (H1 FY15: \$7.4 million)
- Goodwill reduction of \$16.1 million plus recognition of \$6.6 million of onerous leases related to the sale of the Fixed Price Retail [FPR] business drove a statutory net loss after tax of \$22.0 million

Commenting on the H1 FY16 result, Grays eCommerce Chief Executive Officer Mark Bayliss said:

"The first half of this financial year saw the successful implementation of a range of initiatives to streamline our business and drive future growth. The sale of Grays' fixed price retail assets to MySale in November 2015 was a pivotal move, freeing up management time to focus on growing our most profitable divisions, particularly our Industrial B2B division.

"In addition, we strengthened our executive management team with the appointment of David Grbin as Chief Financial Officer, and put in place a new \$30 million banking facility that provides Grays with added flexibility to take advantage of attractive growth opportunities.

"Having expanded our industrial B2B offering into the key agricultural segment with the acquisition of DMS Davlan, we completed the integration of this business into the group during the first half. DMS Davlan is the leading agribusiness machinery auction house in Australia with a national footprint and a number of regional locations. With the business now fully integrated, the acquisition will be EPS accretive from the second half on."

B2B – Growth engine driven by auto, transport and mining

For H1 FY16, the B2B division generated the following results:

- Gross Sales up 17.3% to \$230.0 million (H1 FY15: \$196.2 million)
- Revenue up 21.2% to \$36.1 million (H1 FY15: \$29.8 million)
- EBITDA up 4.9% to \$9.0 million (H1 FY15: \$8.6 million).

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

“We are pleased with the performance of our Industrial B2B business, with gross sales up 17% to \$230 million in the first half and revenue up 21% to \$36 million. The strong revenue growth was driven by initiatives in key segments including Automotive, Transport and Mining, partially offset by a weaker Banking, Insolvency and Finance [BIF] market due to the delay of some contracts into the second half of the 2016 financial year. Diverse revenue streams are a strength of our B2B division where the weaker BIF result was offset by 30% plus growth in our core vertical markets. Traditionally skewed to the first half, BIF is expected to grow strongly in the second half given current contracts and pipeline.”

B2C (Continuing Operations) – driving efficiency across the division

For H1 FY16, the continuing operations of our B2C division generated the following results:

- Gross sales down 7.9% to \$37.8 million (H1 FY15: \$41.0 million)
- Revenue down 14.2% to \$26.1 million (H1 FY15: \$30.4 million)
- Expenses down 15.1% to \$24.8 million (H1 FY15: \$29.2 million)
- EBITDA up 6.6% to \$1.3 million (H1 FY15: \$1.3 million).

Commenting on the B2C division Mr Bayliss said: “We were pleased to achieve EBITDA growth from our continuing B2C division. The reduction in gross sales and revenue compared to H1 FY15 was driven by major event sales not being repeated this period. In addition, cost savings were realised from warehouse and logistics efficiency measures.”

Strong balance sheet

At 31 December 2015, the company had net cash of \$4.4 million. Net assets reduced to \$17.5 million following the sale of the FPR business, with inventory levels substantially lower as a controlled sell down occurred in line with the sale of FPR to MySale.

Positive outlook for FY16

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

“Having delivered EBITDA growth from our B2B and continuing B2C divisions during the first half of the 2016 financial year, we are well positioned to increase the growth rate over the second half compared with the second half of the 2015 financial year.

“We have had a promising start to the second half. The core segments of our Industrial B2B division continue to perform well with revenue in the first seven weeks of the second half up on the corresponding period for the last financial year. Our BIF business currently has a strong pipeline of opportunities with a number of projects being undertaken that were deferred from the first half.

“The sale of our Fixed Price Retail business ensures management can now focus on our core auction businesses.

“With the platform now in place to drive long term growth, we are well positioned to see our business grow earnings. Accordingly, we expect our Continuing Operations EBITDA in FY16 to comfortably exceed that achieved during FY15.”

-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 or www.graysonline.com.au.