

Grays eCommerce Group reports strong growth in B2B division and declares its maiden interim dividend

23 February 2017 (Sydney): Grays eCommerce Group Limited (ASX: GEG) is pleased to announce its results for the six months ended 31 December 2016 (H1 FY17) – a half year that saw growing revenues in B2B underpinned by a successful investment programme, the Group return to H1 profitability, and a maiden interim dividend declared.

H1 FY17 overview

- Statutory net profit after tax of \$4.0 million (H1 FY16: statutory loss of \$22.0 million)
- Revenue up 14.6% to \$71.3 million (H1 FY16: \$62.2 million)
 - Underpinned by B2B net revenue growth flowing from investments made
- Earnings before interest, tax, depreciation and amortisation (EBITDA) down 12.4% to \$7.1 million (H1 FY16: \$8.1 million)
 - Further investment made in B2B to drive long term growth
 - B2C underperformed, down \$1.6 million on H1 FY16
- Maiden interim dividend of 1.2 cents per share fully franked.

Commenting on the H1 FY17 result, Grays eCommerce Group’s Chief Executive Officer Mark Bayliss said: “Having successfully refocussed the business on its core strength of business-to-business [B2B] auctions, we are now building a growing and sustainable business. Over the past six months we saw the benefits from our investment in new facilities, systems and people start to flow through in the B2B division’s financial results. We continue to build on our strengths and grow in this attractive segment.”

B2B – Strong growth in revenue underpins further strategic investment

For H1 FY17, the B2B division generated the following results:

- Gross Sales up 18.9% to \$273.6 million (H1 FY16: \$230.0 million)
- Net revenue up 16.3% to \$40.4 million (H1 FY16: \$34.8 million)
- EBITDA up 3.8% to \$9.4 million (H1 FY16: \$9.0 million).

The significant investment made in people and infrastructure in H2 FY16 delivered increased revenue at higher EBITDA margins. Having completed most of the planned strategic investment programme in H1 FY17, EBITDA margins are expected to further improve in H2FY17.

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

“Over the first-half of FY17, our B2B revenue grew across all the division’s categories. Grays was awarded major events, banking, insolvency and finance contracts in Mining, Transport and Manufacturing [including McAleese and Masters]. These new contracts will underpin revenues into the second half.

“A good example of the investment we have undertaken in B2B is our Auto business. The investment in people and facilities, including additional auto yards, is driving growth with over 13,500 cars sold in the first-half compared to 8,800 in the prior corresponding period.

“Over the past two years, Grays has been growing from strength to strength in B2B. This division has attractive growth opportunities and is something we have a competitive advantage in given our online auction capabilities and depth of data.”

B2C – disappointing performance supports strategic decision to reduce exposure to this segment

For H1 FY17, the B2C division generated the following results:

- Gross sales up 3.4% to \$39.1 million (H1 FY16: \$37.8 million)
- Net revenue down 9.8% to \$15.6 million (H1 FY16: \$17.3 million)
- EBITDA loss of \$0.3 million (H1 FY16: profit of \$1.3 million).

Having made the strategic decision to exit the highly competitive and unprofitable fixed price retail segment in FY16, the remaining B2C business was refocused on a narrower range of consumer categories. Further investment was made into the Company’s marketing capability by focusing on customer acquisition and engagement, and reviewing the cross-over of customers from B2C to B2B.

With sales over the two key trading months of November and December below expectations, the B2C division generated a small loss. This led to a re-assessment of the longer term strategic relevance of this division in the context of building a growing and sustainable B2B focused business. Following this, and continued poor trading performance in January 2017, the Company has decided to further rationalise its B2C categories to those that support B2B. An orderly run-down of owned inventories will be undertaken, and B2C’s fixed cost base will be reduced.

“We believe that this approach to B2C is the right strategy. It will minimise future losses in B2C, while also ensuring that shareholder capital and management time is focused on the Company’s growth engine, B2B, that will drive long term shareholder value” said Mr Bayliss.

Maiden interim dividend declared

Reflecting the Company’s strong balance sheet (net debt of \$1.7 million), return to H1 profitability and growth opportunities, the Board has declared a maiden interim dividend of 1.2 cents per share fully franked. This dividend’s record date is 1 March 2017 and payment date is 21 April 2017.

Outlook for H2 FY17

As a result of the strategic decision to rationalise B2C, and that division’s deteriorating performance, the Company expects to generate Group EBITDA in FY17 at a similar level to that achieved in FY16 (from Continuing Operations). The benefits from investment in the B2B division are expected to continue flowing through in H2 FY17, with continued growth expected in B2B earnings offset by a B2C loss.

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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.