

Liquidity Services (LQDT)

Price:	\$14.99
Shares Outstanding:	29,660,000
Market Cap:	\$444,603,400
Cash:	\$56,950,000
Debt:	\$0
Net Cash:	\$56,950,000
Enterprise Value:	\$387,653,400

Net Tang. Bk Value Incl. Cash, Excl. Goodwill (NTBVIC):	\$107,030,000.00
NTBVIC/Market Downside Recovery:	24.07%
Op. Cash Flow:	\$57,309,565
Implied Years to Fill Gap:	5.89
Today's Equity if 5x Op. CF:	\$278,958,695

Net Tang. Book Yr. 5 (Inc. Cash):	\$356,727,825.00
Avg. Year Op. Cash:	\$57,309,565.00
Year 5 Disposition FCF Multiple:	3.0
Year 5 Disposition Price:	\$528,656,520.00

Net Tang. Book+ Gain Disposition:	\$528,656,520.00
IRR:	3.52%

Price:	\$17.82
Target Market Cap:	\$528,656,520
Target Enterprise Value:	\$471,706,520

* Our future intrinsic value measures the total return, which includes both capital appreciation and dividend income.

Zero debt, \$60MM cash, \$24MM A/R, \$50MM inventory, \$90MM A/P.

1,000 employees.

Lease all properties.

It's like an Ebay for surplus, salvaged goods. I believe the Co. gets a cut from the transactions.

Revenue grew from \$270MM in 2010 to \$505MM today.

We love the financial health of the Co., along with the historic growth and business model.

Stock took a hit in early July but has rebounded to \$15/share.

Although our model forecasts a single digit appreciation in the stock, we believe there is a lot of growth possible with the stock.

Large shareholders: Blackrock (5.5%), Capital Research (8.6%), Maverick Capital (7.9%), William Agnick III(16.3%) co founder

The \$973MM in gross merchandise volume (GMV) generated \$505MM in revenue for the Co, which implies a 50% cut of the revenue. Each transaction was about \$1,500. Resell the goods which are returned or surplus items. Targets corporate clients. Also, has a business for government clients.

Walmart accounted for 11% of GMV.

DoD accounted for 30% of revenue and the 7 year contract is now on a year to year extension.

3 business models - profit sharing, purchase model (both are in revenue, and costs are in COGS and profit-sharing distribution) and fee revenue(consignment) (recognized with fee revenue and cost in COGS).

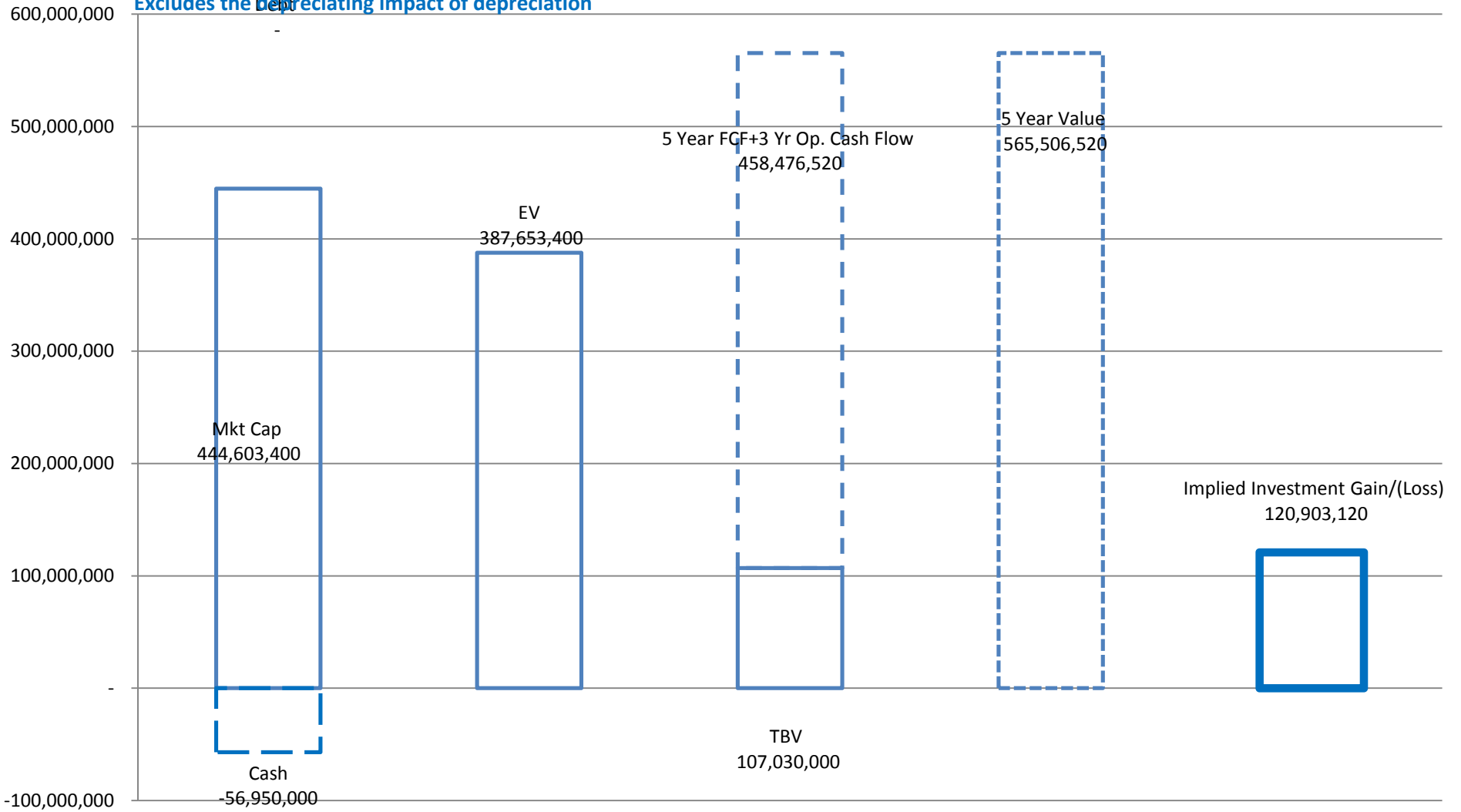
It is similar to Great American Group. I love the counter-cyclical businesses, which can hedge off a typical cycle business. The recent B.Riley takeover/merger of Great American Group is in theory, an ideal combination since they can offset each other in the business cycle. Liquidity/auction/salvage business increases in a down market while sales/trading/investment banking commissions increase in a strong market.

We believe LQDT is a fantastic niche player, with strong financials and growth prospective.

BUY: 5 year target \$20.



Excludes the depreciating impact of depreciation



Liquidity Services, Inc. was incorporated in Delaware in November 1999 as Liquidation.com, Inc. and commenced operations in early 2000. The Company is an online auction marketplace for surplus and salvage assets. It enables buyers and sellers to transact in an efficient, automated online auction environment offering over 500 product categories. The Company's marketplaces provide professional buyers access to a global, organized supply of surplus and salvage assets presented with digital images and other relevant product information. Additionally, the Company enables its corporate and government sellers to enhance their financial return on excess assets by providing a liquid marketplace and value-added services that integrate sales and marketing, logistics and transaction settlement into a single offering. It organizes its products into categories across major industry verticals such as consumer electronics, general merchandise, apparel, scientific equipment, aerospace parts and equipment, technology hardware, energy equipment, industrial capital assets, fleet and transportation equipment and specialty equipment. The Company's online auction marketplaces are www.liquidation.com, www.govliquidation.com, www.govdeals.com, www.networkintl.com, www.truckcenter.com, and www.secondipity.com. It utilizes a direct sales and marketing force to acquire and manage its seller and buyer accounts. The Company is subject to federal and state consumer protection laws, including laws protecting the privacy of customer non-public information and regulations prohibiting unfair and deceptive trade practices.

Company Name:		Liquidity Services			Income Statement	
Ticker Symbol:	LQDT	Market Capitalization:	\$444,603,400.00	Revenue:	\$506,370,000.00	100.0%
Last Price:	\$14.99	Total Debt:	\$0.00	Cost of Goods Sold:	\$200,000,000.00	39.5%
Net Cash/Share:	\$1.92	RCH Total Cash:	\$56,950,000.00	Gross Profit:	\$306,370,000.00	60.5%
Net Cash to Last Price:	12.81%	Net Cash/(Debt):	\$56,950,000.00	EBITDA:	\$66,140,000.00	13.1%
Shares Outstanding:	29,660,000	Enterprise Value:	\$387,653,400.00	Net Income:	\$41,510,000.00	8.2%
Industry:	Specialty Retail	Current EV/Share:	\$13.07			
Sector:	Consumer Cyclical	EBITDA:	\$102,700,000.00	Balance Sheet		
		EV/EBITDA Multiple:	3.77	Cash:	\$56,950,000.00	
Institutional Ownership:	79.73%	EV/EBITDA Multiple Average Year 1-5:	4.16	Short Term Investment:	\$0.00	
Mutual Fund Ownership:	38.20%	EV/FCF Multiple (excluding acquisition):	14.61	A/R:	\$24,000,000.00	
Insider Ownership:	1.76%		10.39	PP&E:	\$11,000,000.00	
Float:	83.00%			Assets:	\$426,300,000.00	
Upper Range						
DCF: EV/EBITDA Terminal Value						
Technicals		Implied TV from 3 X EV/EBITDA Multiple	\$227,637,000.00	A/P:	\$51,000,000.00	
52 week low:	\$12.05			Deferred Tax:	\$1,810,000.00	
Today from 52 week low:	24.40%	Enterprise Value	\$227,637,000.00	Other Liabilities:	\$50,570,000.00	
52 week high:	\$38.31	Cash at Year 5:	\$243,497,825.00	Short term Debt:	\$0.00	
Today from 52 week high:	155.57%	Debt at Year 5:	\$0.00	Long Term Debt:	\$0.00	
Analyst/Consensus		Equity Value Year 5:	\$471,134,825.00	Liabilities:	\$103,380,000.00	
Analyst Sales Growth FY1:	-4.70%	Equity/Share at Year 5:	\$15.88	Retained Earnings:	\$108,000,000.00	
Analyst Sales Growth FY2:	-4.20%	Annualized Return:	1.17%	Paid-In Capital:	\$210,030,000.00	
SN Valuation Estimate FY1:	0.00%	Lower Range				
SN Valuation Estimate FY2:	0.00%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value				
		Year 5 Net Tangible Assets excluding cash and debt	-\$30,530,000.00	Treasury Stock:	\$0.00	
Analyst Earnings Estimate FY1:	\$1.04			Stockholder's Equity:	\$318,030,000.00	
Analyst Earnings Estimate FY2:	\$0.83	Enterprise Value	-\$30,530,000.00	Cash Flow		
SN Valuation Earnings Est. FY1:	\$1.68	Cash at Year 5:	\$243,497,825.00	Net Income:	41,100,000.00	
SN Valuation Earnings Est. FY2:	\$1.68	Debt at Year 5:	\$0.00	Depreciation/Amortization:	17,370,000.00	
		Equity Value Year 5:	\$212,967,825.00	Change in Working capital:	-7,200,000.00	
Multiples		Equity/Share at Year 5:	\$7.18	Cash from Operating Activities:	46,740,000.00	
Market Value to Book:	1.40	Annualized Return:	-13.69%	Capital Expenditures:	-20,190,000.00	
EV to Book:	1.22	EVA				
Market Value to Tangible Net Assets:	-14.56	EVA today:	\$334,125,392.11	Cash from Investing Activities:	-20,190,000.00	
P/E Ratio:	10.71	EVA in 5 Years:	\$384,577,741.20	Total Cash Dividends Paid:	0.00	
Trailing P/E Ratio:	14.13	EVA/Share:	\$12.97	Issuance (Retirement) of Stock:	11,120,000.00	
Forward P/E Ratio:	18.06	Cash at Year 5:	\$243,497,825.00	Issuance (Retirement) of Debt:	-39,000,000.00	
Beta:	-0.71	Debt at Year 5:	\$0.00	Cash from Financing Activities:	-36,060,000.00	
Dividend:	0.00	Equity Value Year 5:	\$628,075,566.20	Profitability Margins		
Dividend Yield:	0.00%	Equity/Share at Year 5:	\$21.18	Debt to Equity:	0.00%	
Dividend Date:	N/A	Annualized return:	2.85%	Return on Assets:	9.64%	
Ex-Dividend Date:	N/A	Current Net Tangible Asset				
Competitors		Net Tangible Asset/Share:	\$2.83	Return on Capital:	12.92%	
Average EV to EBITDA:	N/A	Net Tangible Asset/Share in Year 5:	\$11.25	Return on Equity:	12.92%	
Company EV to EBITDA:	3.77	Annualized return:	31.79%			
Average EV to EBIT:	N/A	Current Equity Price:	\$14.99			
Company EV to EBITA:	5.70	Selling at Discount?	Premium			
		Appreciation Potential:	-81.12%			
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SN VALUATION

LBO Pro Forma Income Statement

Name:

Liquidity Services

Ticker:

LQDT

	Historical				Forecasted				
	12 months ending 2010-09-30	12 months ending 2011-09-30	12 months ending 2012-09-30	12 months ending 2013-09-30	2014	2015	2016	2017	2018
Revenue	273.01	327.38	475.30	505.86	505.86	505.86	505.86	505.86	505.86
COGS	109.38	126.39	198.12	199.49	212.46	212.46	212.46	212.46	212.46
Gross margin	163.63	200.99	277.18	306.37	293.40	293.40	293.40	293.40	293.40
SG&A	131.00	151.26	179.15	215.12	217.52	217.52	217.52	217.52	217.52
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.52	6.70	1.70	5.92	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Excluded from COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	32.11	43.03	96.33	85.33	75.88	75.88	75.88	75.88	75.88
Interest income/(expense)	-0.43	-1.19	-2.22	0.71	0.95	0.95	0.95	0.95	0.95
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	27.27	36.14	79.95	68.66	76.83	76.83	76.83	76.83	76.83
Tax	12.20	15.46	31.65	27.56	26.89	26.89	26.89	26.89	26.89
Income after tax	15.07	20.68	48.30	41.10	49.94	49.94	49.94	49.94	49.94
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	15.07	20.68	48.30	41.10	49.94	49.94	49.94	49.94	49.94
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.51	\$0.70	\$1.63	\$1.39	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68
P/E (historical today's price; forecasted intrinsic price)	29.50	21.50	9.21	10.82	9.22	9.54	9.88	10.23	10.59
Revenue Growth	N/A	19.92%	45.18%	6.43%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	44.74%	42.78%	39.59%	40.14%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	0.00%	0.00%	-5.29%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	40.06%	38.61%	41.68%	39.44%	42.00%	42.00%	42.00%	42.00%	42.00%
Gross margin	59.94%	61.39%	58.32%	60.56%	58.00%	58.00%	58.00%	58.00%	58.00%
SG&A	47.98%	46.20%	37.69%	42.53%	43.00%	43.00%	43.00%	43.00%	43.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.19%	2.05%	0.36%	1.17%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Excluded from COGS					0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	11.76%	13.14%	20.27%	16.87%	15.00%	15.00%	15.00%	15.00%	15.00%
Interest income/(expense)	-0.16%	-0.36%	-0.47%	0.14%	0.19%	0.19%	0.19%	0.19%	0.19%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	9.99%	11.04%	16.82%	13.57%	15.19%	15.19%	15.19%	15.19%	15.19%
Tax	4.47%	4.72%	6.66%	5.45%	5.32%	5.32%	5.32%	5.32%	5.32%
Income after tax	5.52%	6.32%	10.16%	8.12%	9.87%	9.87%	9.87%	9.87%	9.87%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	5.52%	6.32%	10.16%	8.12%	9.87%	9.87%	9.87%	9.87%	9.87%

	As of 2010-09-30	As of 2011-09-30	As of 2012-09-30	As of 2013-09-30	As of 2014-06-30	Adjustment		Adjusted Proforma	2014	2015	2016	2017	2018
						+	-						
Cash	42.53	128.98	104.78	95.11	56.95			56.95	94.259565	131.57	168.88	206.19	243.50
Short term investment	33.41	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	75.94	128.98	104.78	95.11	56.95			56.95	94.26	131.57	168.88	206.19	243.50
Accounts Receivable	4.39	6.05	16.23	24.05	24.00			24.00	34.00	44.00	54.00	64.00	74.00
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	4.39	6.05	16.23	24.05	24.00			24.00	34.00	44.00	54.00	64.00	74.00
Total Inventory	14.65	15.06	20.67	29.26	69.39			69.39	69.39	69.39	69.39	69.39	69.39
Prepaid Expenses	9.39	20.88	20.90	16.05	19.38			19.38	19.38	19.38	19.38	19.38	19.38
Other Current Assets	4.33	0.28	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current Assets	108.70	171.25	162.58	164.47	169.72	0.00	0.00	169.72	217.029565	264.34	311.65	358.96	406.27
PP&E, Gross	14.10	15.99	26.00	0.00	27.00			27.00	47.00	67.00	87.00	107.00	127.00
Change in Depreciation	4.42	5.69	14.17	17.37	17.37			17.37	17.37	17.37	17.37	17.37	17.37
Accumulated Depreciation	7.81	8.95	15.62	0.00	16.00			16.00	33.37	50.74	68.11	85.48	102.85
PP&E, Net	6.29	7.04	10.38	0.00	11.00			11.00	13.63	16.26	18.89	21.52	24.15
Goodwill	26.38	40.55	185.77	211.71	211.00	0.00		211.00	211.00	211.00	211.00	211.00	211.00
Intangibles	2.85	2.99	34.20	28.20	28.00			28.00	28.00	28.00	28.00	28.00	28.00
Long term investments	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	20.68	5.97	7.47	6.58	6.58			6.58	6.58	6.58	6.58	6.58	6.58
Long Term Assets	56.20	56.55	237.82	246.49	256.58			256.58	259.21	261.84	264.47	267.10	269.73
Total Assets	164.90	227.80	400.40	410.96	426.30	0.00	0.00	426.30	476.24	526.18	576.12	626.06	676.00
Accounts Payable	22.41	28.59	48.29	50.35	51.00			51.00	51.00	51.00	51.00	51.00	51.00
Accrued Expense	22.90	23.41	36.42	34.83	35.00			35.00	35.00	35.00	35.00	35.00	35.00
Other current Liabilities	3.33	7.57	14.66	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Current Liabilities	48.64	59.57	99.37	85.18	86.00	0.00	0.00	86.00	86.00	86.00	86.00	86.00	86.00
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	0.00	0.00	10.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	0.00	0.00	32.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	0.00	0.00	42.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Income tax	2.03	2.09	9.02	2.90	1.81			1.81	1.81	1.81	1.81	1.81	1.81
Minority Interest	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	1.87	4.74	0.00	18.39	15.57			15.57	15.57	15.57	15.57	15.57	15.57
Total Liabilities	52.54	66.40	150.39	106.47	103.38	0.00	0.00	103.38	103.38	103.38	103.38	103.38	103.38
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	0.03	0.03	0.03	0.03	0.03		0.00	0.03	0.03	0.03	0.03	0.03	0.03
Additional Paid-in capital	85.52	124.89	182.36	206.86	210.00	0.00	0.00	210.00	210.00	210.00	210.00	210.00	210.00
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	49.82	58.33	66.36	107.47	108.00			108.00	157.94	207.88	257.82	307.76	357.70
Treasury Stock	-18.34	-21.88	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	-4.64	0.05	1.25	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	112.39	161.42	250.00	314.88	318.03	0.00	0.00	318.03	367.97	417.91	467.85	517.79	567.73
Liability + Equity	164.93	227.82	400.39	421.35	421.41	0.00	0.00	421.41	471.35	521.29	571.23	621.17	671.11
Variance	-0.03	-0.02	0.01	-10.39	4.89			4.89	4.89	4.89	4.89	4.89	4.89
Debt/Equity	0.00	0.00	0.17	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	18.64	21.74	22.99	17.29	7.29			7.29	7.29	7.29	7.29	7.29	7.29
Inventory Turnover Days	19.59	16.79	15.87	21.11	50.07			50.07	50.07	50.07	50.07	50.07	50.07
Days Inventory Outstanding	48.89	43.49	38.08	53.54	119.21			126.96	119.21	119.21	119.21	119.21	119.21
Accounts Receivable Turnover	62.19	54.11	29.29	21.03	21.08			21.08	14.88	11.50	9.37	7.90	6.84
Accounts Receivable Turnover Days	5.87	6.75	12.46	17.35	17.32			17.32	24.53	31.75	38.96	46.18	53.39
Days Payable Outstanding	74.78	82.56	88.97	92.12	87.62			93.31	87.62	87.62	87.62	87.62	87.62
Days Sales Outstanding	5.87	6.75	12.46	17.35	17.32			17.35	24.53	31.75	38.96	46.18	53.39
Cash Conversion Cycle	-20.03	-32.33	-38.42	-21.23	48.91			51.00	56.13	63.34	70.56	77.77	84.99
Net tangible assets/share	\$2.80	\$3.97	\$1.01	\$2.53	\$2.66				\$4.35	\$6.03	\$7.72	\$9.40	\$11.08

	12 months ending 2010-09-30	12 months ending 2011-09-30	12 months ending 2012-09-30	12 months ending 2013-09-30	2014	2015	2016	2017	2018
Net Income	12.01	8.51	48.30	41.10	49.94	49.94	49.94	49.94	49.94
Depreciation	4.42	5.69	14.17	17.37	17.37	17.37	17.37	17.37	17.37
Net Income + Depreciation	16.43	14.20	62.47	58.47	67.31	67.31	67.31	67.31	67.31
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-0.89	0.07	-1.72	-6.85	0.00	0.00	0.00	0.00	0.00
Non Cash Items	12.37	14.17	-8.14	2.31	0.00	0.00	0.00	0.00	0.00
Change in Working capital	4.02	11.45	-0.45	-7.20	-10.00	-10.00	-10.00	-10.00	-10.00
Accounts Receivable	0.00	-1.66	-10.18	-7.62	-10.00	-10.00	-10.00	-10.00	-10.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	-0.41	-5.61	-8.59	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-11.49	-0.02	4.85	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	6.18	19.70	2.06	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	31.93	39.89	52.16	46.73	57.31	57.31	57.31	57.31	57.31
Capital Expenditures Expenditures	-7.73	-13.91	-78.59	-20.19	-20.00	-20.00	-20.00	-20.00	-20.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-2.99	33.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-10.72	19.61	-78.59	-20.19	-20.00	-20.00	-20.00	-20.00	-20.00
Financing Cash flow items	0.00	0.00	0.00	-8.19	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-10.48	26.70	2.44	11.12	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	-0.14	0.00	0.00	-39.00	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-10.62	26.70	2.44	-36.07	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	-0.75	-0.48	-0.31	-0.16	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	32.69	42.53	128.98	104.78	56.95	94.26	131.57	168.88	206.19
Net Change in Cash	9.84	85.71	-24.31	-9.67	37.31	37.31	37.31	37.31	37.31
Ending Cash Balance	42.53	128.98	104.67	95.11	94.26	131.57	168.88	206.19	243.50
Capex to Revenue	2.83%	4.25%	16.53%	3.99%	3.95%	3.95%	3.95%	3.95%	3.95%
Depreciation to Sales	1.62%	1.74%	2.98%	3.43%	3.43%	3.43%	3.43%	3.43%	3.43%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	1.61%	1.85%	3.41%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Distributable FCF/EV Yield	5.47%	15.35%	-6.82%	6.85%	9.62%	9.62%	9.62%	9.62%	9.62%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	24.20	25.98	-26.43	26.54	37.31	37.31	37.31	37.31	37.31

SN VALUATION

LBO Debt Schedule

Ticker:

LQDT

	Proforma	2014	2015	2016	2017	2018
Net Change in Cash	-9.67	37.31	37.31	37.31	37.31	37.31
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	0.00	0.00	0.00	0.00	0.00	0.00
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		5.00%	5.00%	5.00%	5.00%	5.00%
Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%
Interest Expense		0.00	0.00	0.00	0.00	0.00
Cash Balance		95.11				
Interest @ 1.0%		0.95	0.95	0.95	0.95	0.95
Net Interest Expense/(Income)		(0.95)	(0.95)	(0.95)	(0.95)	(0.95)
Net Interest Rate		N/A	N/A	N/A	N/A	N/A
EBITDA		75.88	75.88	75.88	75.88	75.88
EBITDA/Interest Expense Coverage		N/A	N/A	N/A	N/A	N/A

Interest Rate Coverage Table

Debt Rating					
AAA					
AA					
A+					
A					
A-					
BBB					
BB+					
BB					
B+					
B					
B-					
CCC					
CC					
C					
D					

*Source: NYU; Professor Damodaran

SN VALUATION

Altman Z Score

Company Name:

Liquidity Services

Ticker:

LQDT

Period	2010	2011	2012	2013	2014	2015	2016	2017	2018
Working Capital	60.06	111.68	63.21	83.72	131.03	178.34	225.65	272.96	320.27
Total Assets	164.90	227.80	400.40	426.30	476.24	526.18	576.12	626.06	676.00
X1	0.36	0.49	0.16	0.20	0.28	0.34	0.39	0.44	0.47
Retained Earnings	49.82	58.33	66.36	108.00	157.94	207.88	257.82	307.76	357.70
Total Assets	164.90	227.80	400.40	426.30	476.24	526.18	576.12	626.06	676.00
X2	0.30	0.26	0.17	0.25	0.33	0.40	0.45	0.49	0.53
EBITDA	32.11	43.03	96.33	85.33	75.88	75.88	75.88	75.88	75.88
Total Assets	164.90	227.80	400.40	426.30	476.24	526.18	576.12	626.06	676.00
X3	0.19	0.19	0.24	0.20	0.16	0.14	0.13	0.12	0.11
Market Value of Equity	444.60	444.60	444.60	444.60	460.27	476.49	493.28	510.66	528.66
Total Liabilities	52.54	66.40	150.39	103.38	103.38	103.38	103.38	103.38	103.38
X4	8.46	6.70	2.96	4.30	4.45	4.61	4.77	4.94	5.11
Net Sales	273.01	327.38	475.30	505.86	505.86	505.86	505.86	505.86	505.86
Total Assets	164.90	227.80	400.40	426.30	476.24	526.18	576.12	626.06	676.00
X5	1.66	1.44	1.19	1.19	1.06	0.96	0.88	0.81	0.75
Altman Z Score	8.24	7.02	4.18	5.02	5.05	5.16	5.27	5.38	5.50

$$Z = 1.2 \cdot X1 + 1.4 \cdot X2 + 3.3 \cdot X3 + 0.6 \cdot X4 + 1.0 \cdot X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red

Year	Present Value	Holding Period					Terminal Value			Sale Price
	0	1	2	3	4	5	6	7	8	TBV at Year 5 + 3 Years FCF
Tangible Book Value	107.03	156.97	206.91	256.85	306.79	356.73				356.73
Annual Change		49.94	49.94	49.94	49.94	49.94				
Annual FCF	26.54	37.31	37.31	37.31	37.31	37.31	37.31	37.31	37.31	111.93
Annual Op. Cash Flow	46.73	57.31	57.31	57.31	57.31	57.31	57.31	57.31	57.31	
Annual PP&E Investment	(20.19)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	
Today's Tangible Book Value	107.03	136.17	173.24	220.40	280.40	356.73				468.66
Intrinsic Value IRR	27.22%									
Market Price	444.60	449.31	454.07	458.88	463.74	468.66				468.66
Market Price IRR	1.06%									

Debt	50.00%	222.30
Equity	50.00%	222.30
Total	100.00%	444.60

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	318.03	222.30	260.06	297.83	335.59	373.35	411.11			
Goodwill	211	337.57	337.57	337.57	337.57	337.57	337.57			
Debt	0	222.30	222.30	222.30	222.30	222.30	222.30			
Debt Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%			
Additional Interest Expense		18.74	18.74	18.74	18.74	18.74				
Tangible Book Value	107.03	-115.27	-77.51	-39.75	-1.99	35.77	73.54			73.54
Annual Change			37.76	37.76	37.76	37.76	37.76			
Annual FCF	26.54		35.13	35.13	35.13	35.13	35.13	35.13	35.13	105.39
Annual Net Income	41.10		37.76	37.76	37.76	37.76	37.76	37.76	37.76	
Annual Op. Cash Flow	46.73		55.13	55.13	55.13	55.13	55.13	55.13	55.13	
Dividend Payments										
Annual PP&E Investment	(20.19)		(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	
Debt Paydown	0.00							0.00	0.00	0.00
Sale Price in Year 5										178.93
Capital Left for Equity Investor										178.93
Dividend Payments										0.00
Total Cash In Flow										178.93
Invested Equity	222.30	212.86	203.82	195.16	186.87	178.93				
IRR	-4.25%									

We assume the debt taken on by the investor is now on the Co's books, so the investor has no more liability from the deal.

<u>Value Creation</u>	
TBV Growth (equals sum of NI Year 1-5)	188.81
Cash Flow (Year 6-8)	105.39
	294.20

<u>Value Dilution</u>	
Debt	222.30
Goodwill	126.57
Additional Interest	93.68
	442.55