



**HERITAGE**  
GLOBAL INC.

**An Asset Services company specializing in financial and industrial asset transactions**

**Investor Presentation**

**March 2021**

# Forward-Looking Statements

This communication includes forward-looking statements based on our current expectations and projections about future events. All statements contained in this communication other than statements of historical fact, including any statements regarding our future operating results and financial position, our business strategy and plans, potential acquisitions, market growth and trends, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "could," "would," "project," "plan," "potentially," "preliminary," "likely," and similar expressions are intended to identify forward-looking statements. For these statements, Heritage Global Inc. (the "Company") claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

The forward-looking statements contained in this communication are based on knowledge of the environment in which the Company currently operates and are subject to change based on various important factors, including variability in magnitude and timing of asset liquidation transactions, the impact of changes in the U.S. national and global economies (including the uncertain conditions created by the coronavirus [COVID-19] pandemic), interest rate and foreign exchange rate sensitivity, as well as other factors beyond the Company's control.

Unless required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

In light of these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements, which speak only as of the date of this presentation.

Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize. For more details on factors that could affect these expectations, please see our filings with the Securities and Exchange Commission including the "Risk Factors" section in our most recent annual report on Form 10-K.

# Company Overview

Heritage Global Inc. is an asset liquidation services company specializing in financial and industrial asset transactions.



## PRODUCTS AND SERVICES

Brokered Asset Sales

Principal Market Making

Secured Lending

Asset Advisory Services

## Company Snapshot

**Ticker**

• NASDAQ: HGBL

**Price<sup>1</sup>**

• \$3.00

**Market Cap<sup>1</sup>**

• \$106 Million

**LTM Revenue<sup>2</sup>**

• \$26.2 Million

**Net Income<sup>2</sup>**

• \$9.7 Million

**Adj. EBITDA<sup>2</sup>**

• \$6.8 Million

**Diluted EPS<sup>2</sup>**

• \$0.30

**Corporate HQ: San Diego, CA**

**Founded: 2009** (current business)

**Employees: 46** (current)

<sup>1</sup> As of 3/12/20

<sup>2</sup> Represents LTM data through December 31, 2021

<sup>3</sup> Adjusted EBITDA is a non-GAAP financial measure. See "Reconciliations of Non-GAAP Measures" in the Appendix of his presentation

# Investment Highlights

## Differentiated Business Model

- Diversified business lines serving financial and industrial asset liquidation markets.
- Multiple revenue streams: brokered auctions, principal auctions, advisory and secured lending.
- Event driven and repeat, forward-flow contracts with industry leading customers.

## Compelling Macro Growth Drivers

- Growth of digital lending platforms driving increased supply of non-performing consumer loans.
- Active M&A market in the pharmaceutical industry drives demand for industrial asset liquidations.
- Recessions drive increased supply of surplus assets and increased demand for liquidation services.
- Continued opportunity to consolidate highly fragmented market with deep domain expertise.

## High ROIC Use of Proceeds

- Additional working capital drives improved auction economics by serving as principal vs. broker.
- High ROI growth opportunity in providing secured loans to our financial asset debt buyers.

## Strong Management Team

- Founder/CEO is a third-generation auctioneer and a pioneering innovator in applying technology to the asset liquidation industry.
- Complete management team with deep domain expertise in both industrial assets and financial asset liquidations.

# Leadership Team

**Ross Dove**  
CEO, President & Director



- Over 30 years experience in the auction industry.
- Managed more than 4,000 industrial auctions in 30 countries.
- Previously served as Chairman and CEO of DoveBid, an industrial asset and commercial property auction company.
- Twice nominated Ernst and Young Entrepreneur of the Year.
- Featured in Wall Street Journal, Forbes and Economist for industry innovations.

**Brian Cobb**  
VP, Finance & Controller



- 14+ years of progressive accounting and finance experience in operations, technical accounting and SEC financial reporting.
- Previously was a Manager in the assurance practice at PricewaterhouseCoopers.
- Holds a Bachelor of Science degree in Business Administration from California State University San Marcos.

**Dave Ludwig**  
President, Financial Assets



- Over 30 years experience in the financial services industry.
- Developed NLEX from its start as a post-RTC sales outlet to the nation's leading Loan Sale Advisor of charged-off credit card and consumer debt accounts.
- Supervised the sale of over 5,000 portfolios with face value of \$150 billion.
- Holds a Bachelor of Science Degree in Economics from the University of Illinois.

**Nick Dove**  
President, Industrial Assets



- 8+ years experience in the auction & asset disposition industry.
- Previously responsible for the Heritage Global Partners auction division, overseeing global sales force and revenue generation.
- Member of Board of Directors of Industrial Auctioneers Association and Graduate of Missouri Auction School and
- Bachelors of Arts from Arizona State University.

**James Sklar**  
EVP, General Counsel & Secretary

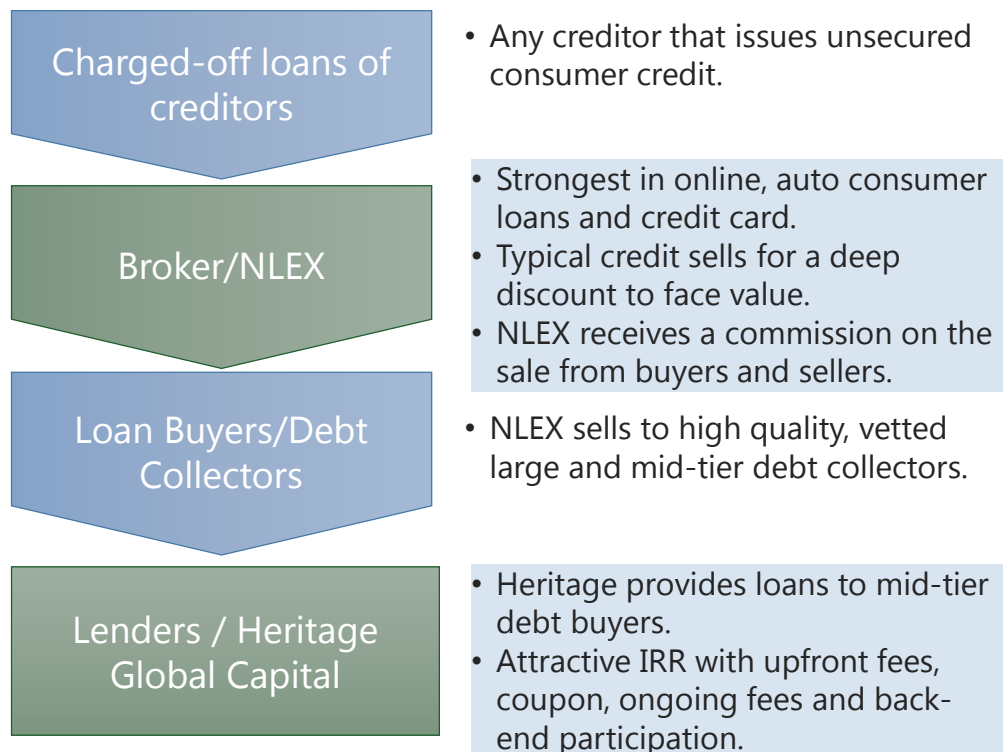


- Over 25 years of legal experience serving asset advisory and auction firms.
- Previously spent 12 years with GoIndustry-DoveBid as legal counsel.
- Holds a juris doctorate degree with cum laude honors from Wayne State University Law School and a Bachelor of Science in Economics from the Wharton School of the University of Pennsylvania.

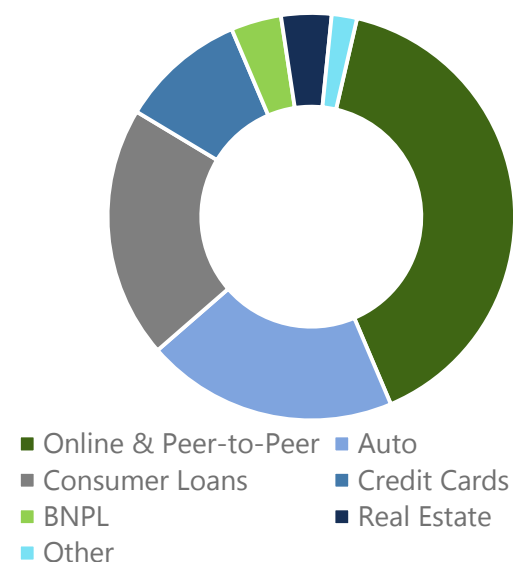
# Financial Assets

- Heritage Global, through its NLEX division, provides liquidity to issuers of consumer credit that are looking to monetize charged-off loans those which creditors have written off as uncollectable.
- Revolving consumer credit remains at almost \$1T<sup>1</sup> and credit card charge-off rate is currently over 2.5%.

## Industry Overview



## NLEX Credit Sales Mix<sup>3</sup>



<sup>1</sup>U.S. Federal Reserve, Seasonally Adjusted, for 2Q20 <sup>2</sup>U.S. Federal Reserve; <sup>3</sup>From the Company for Q1-Q4 2020; <sup>4</sup>Annual Originations by digital lending platforms from 2019 US Digital Lending Report by S&P Global Market Intelligence;



# Financial Asset Services – Brokerage

1

## Services

Heritage National Loan Exchange (NLEX) is a loan sale advisor of charged-off and nonperforming asset portfolios via an electronic auction exchange platform.

2

## Differentiating Factors

Since 1994, NLEX has sold over \$150 billion face value of performing, nonperforming and charged-off assets for banks, the U.S. government, and other debt holders throughout the United States and Canada.

3

## Growth Drivers

- Innovative expansion into FinTech, peer-to-peer, BNPL and other non-core verticals.
- Plans to add post-sale initiatives.

## REPRESENTATIVE CLIENTS

BANK OF AMERICA 



CHASE  J.P.Morgan



 LendingClub



 Compass







# Financial Asset Services – Secured Lending

1

## Services

Heritage Global Capital (“HGC”) provides specialty financing solutions to average volume debt buyers of charged-off and nonperforming asset portfolios and other asset-based classes.

2

## Differentiating Factors

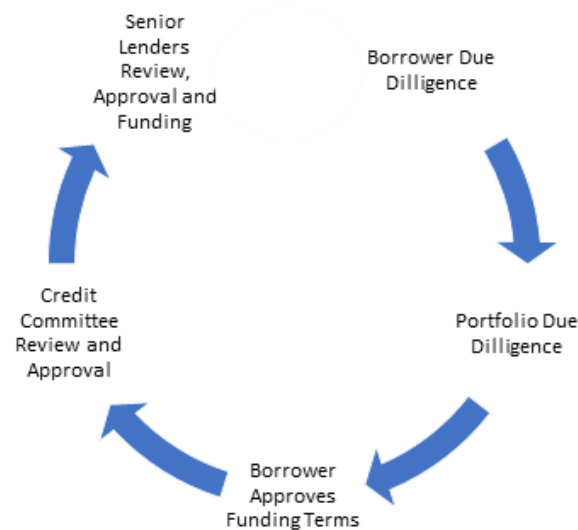
Decades of domain expertise and the ability to leverage established relationships from the HGC executive team who have participated in extensive funding activity and hold widespread industry relationships.

3

## Growth Drivers

- Increasingly penetrating an underserved growing market – mid-tier, non-public buyers of charged-off receivables.
- Providing more economic financing options.
- Providing a greater variety of funding solutions which allows our Clients to stretch their equity, creating growth.

## FUNDING PROCESS



## Target Economics

### Estimated Income Mix



- Upfront Fees
- Interest Income
- Monthly Monitoring Fees
- Backend Profit Share

*Note: All data from the Company*



# Industrial Assets

- Heritage Global advises enterprise and financial customers on the sale of industrial assets mostly from surplus and sometimes distressed circumstances while acting as an agent, guarantor or principal.
- ~\$600B of manufacturing machinery is sold each year<sup>1</sup> and manufacturing outlook is lowest since 1Q2009<sup>2</sup>.

## Industry Overview

Enterprise Industrial Assets

- Corporate surplus and distressed seller of “inside building” assets.

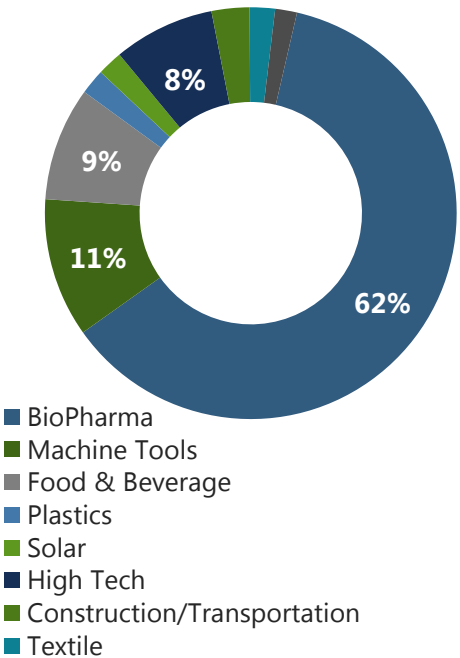
Heritage Global

- HGBL acts as agent, principal or guarantor in asset sales.
- Auctions provide key market intelligence for valuation services which can drive auction leads.

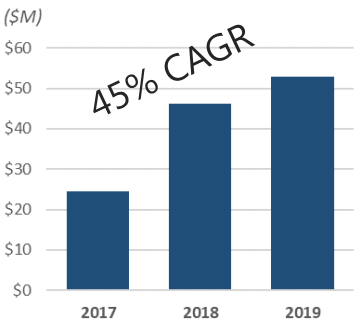
Industrial Asset Buyers

- Buyers consist of both end-users and dealers.

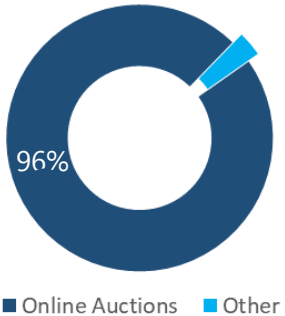
## Mix of Auctions by Industry<sup>3</sup>



## Auction Volume Growth<sup>4</sup>



## Scalable Auctions<sup>5</sup>



Note: <sup>1</sup>Statista, Manufacturing of Machinery & Equipment - Global 2020; <sup>2</sup>Nat'l Assn of Mfrs 3Q20 Outlook Survey;; <sup>3</sup>From the Company; mix of data for fiscal 2020; <sup>4</sup>From the Company; growth in gross asset sales with and without partners; <sup>5</sup>From the Company; for fiscal 2019

# Industrial Asset Services – Auctions

1

## Services

Heritage Global Partners (“HGP”) is a full service, global auction and asset advisory firm.

2

## Differentiating Factors

Domain expertise and infrastructure via management’s experience, expertise, relationships, and track records. Broadly diversified across sectors.

3

## Growth Drivers

- Shift toward higher-contribution principal deals.
- Recent alliance with Napier Park to acquire industrial equipment and real estate assets.
- Building surplus equipment assuming accelerating Pharma M&A to refill pipelines.
- Increasingly leveraging Capital Asset Redeployment Enterprise (CARE) software package.

### Aerospace & Aviation



### Biotech & Pharma



### Machine Tools



### Semiconductor & Electronics



# Industrial Asset Services – Valuations

1

## Services

Industrial and wholesale inventory/equipment valuations to assist financial institutions in making lending decisions.

2

## Differentiating Factors

Decades of valuation/liquidation experience leveraging HGBL's industrial auction group, including access to extensive real-time database of actual sales comp data across 28 industrial sectors.

3

## Growth Drivers

- Additional bank-approved vendor lists
- Deepen penetration with existing bank relationships
- Geographic expansion

## REPRESENTATIVE CLIENTS



# Competitive Advantages



## Domain Expertise

- \* Deal sourcing
- \* Relationships
- \* Execution capabilities
- \* Track records

## Platforms

- \* Diversification
- \* Integrated services offering/turnkey solution provider
- \* Global scale/infrastructure
- \* Player across underserved markets

## Durability

### Countercyclical

- \* Rising industrial asset plant closures
- \* Rising non-performing loan volumes
- \* Rising specialty lending yields

### Pro-cyclical

- \* Corporate auction market
- \* Principal deals

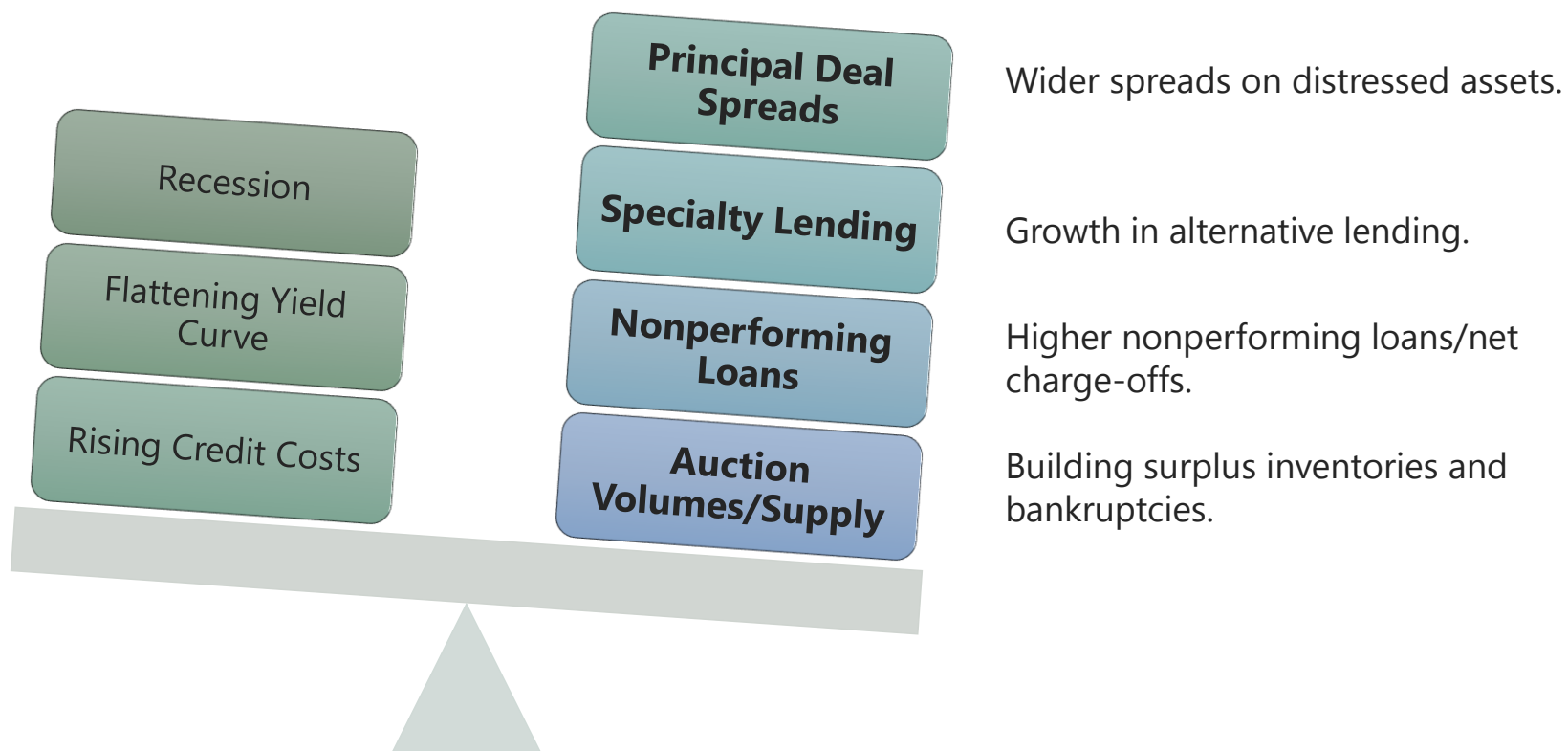
# Positioned to Grow in All Cycles



Premium prices for used equipment in current supply chain.

Pressure on Net Interest Margins.

Declining Net Interest Income.



# Expected Impact of COVID-19 and Post COVID-19 Economic Slowdown



\* The Company cautions that for certain of its business units that rely on travel and field work restrictions, related to COVID-19 may result in decreased revenues depending on the scope and duration of such restrictions



# Sustainable Growth

**Vision:** Become the dominant solution and most respected and trusted firm to corporations, trustees and lenders needing to monetize challenged assets across financial and industrial assets.



# International Platform

## HERITAGE GLOBAL PARTNERS SALES

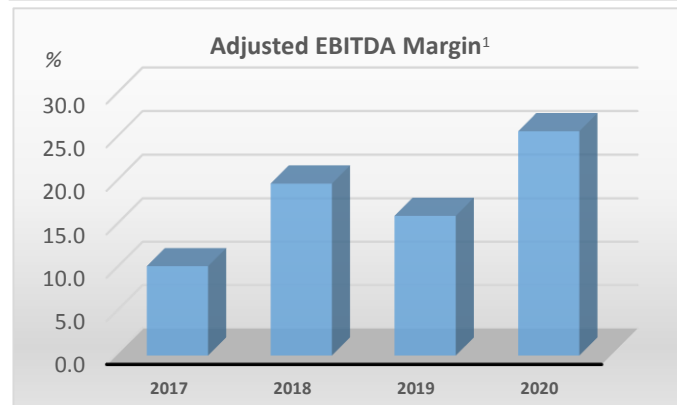
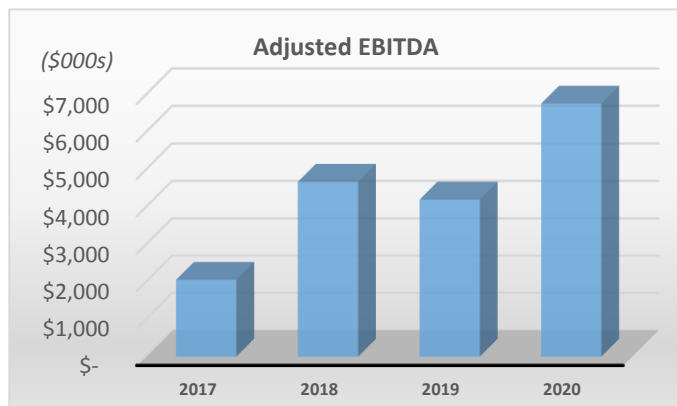


 Puerto Rico	 Costa Rica
 Mexico	 Canada
  Spain	
 England	 France
 Ireland	 Germany
 Italy	 China
 South Korea	 Australia

# Financial Performance

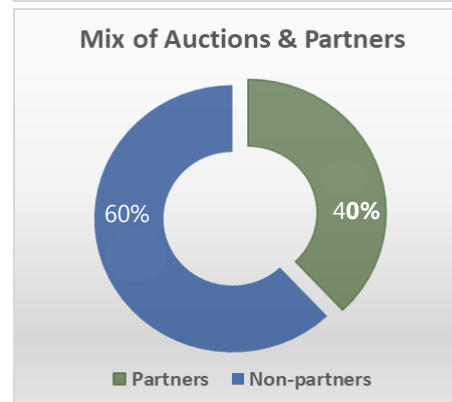
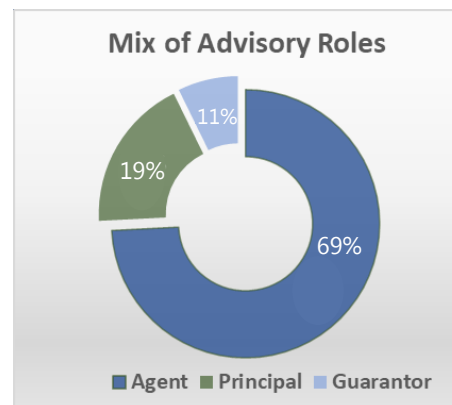
## 1 Profitability

- Proven track record of profitability
- Attractive margin profile
- \$77.6M NOL carry forwards<sup>3</sup>



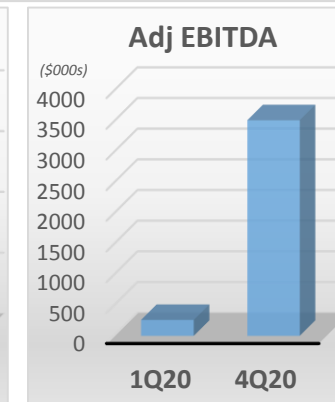
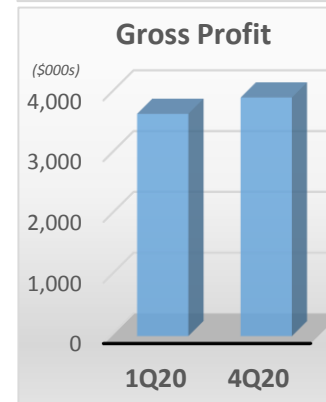
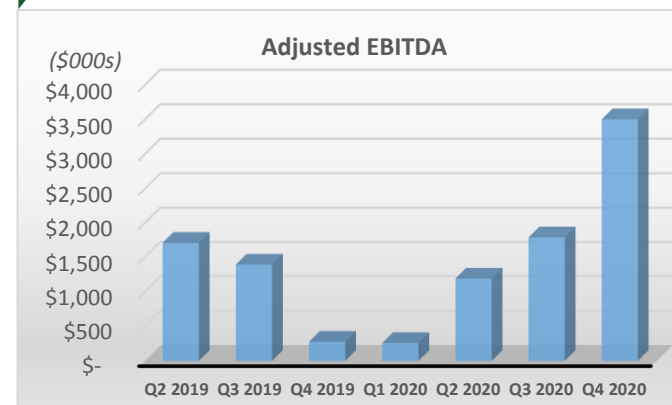
## 2 Flexibility

- Incremental leverage and revenue streams by taking different roles and using partners as needed<sup>2</sup>



## 3 Recovery

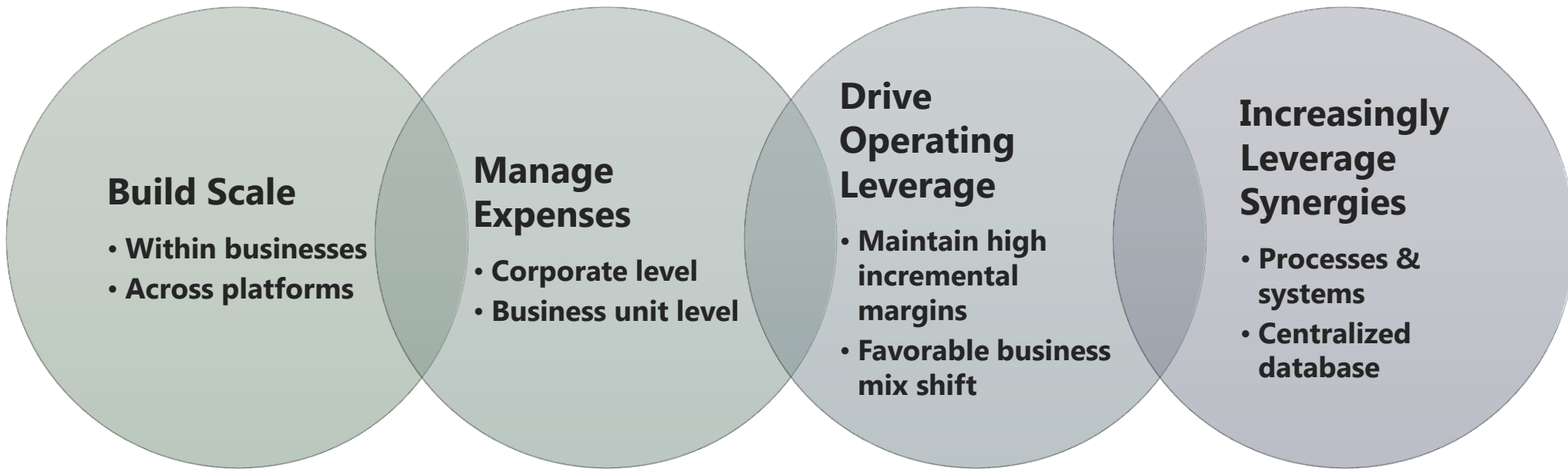
- Improving results across businesses
- Strong operating leverage seen in recent results<sup>2</sup>



<sup>1</sup> Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. See "Reconciliations of Non-GAAP Measures" in the Appendix of this presentation. <sup>2</sup> 2020 data from the Company for mix of auction advisory roles and partner transactions. <sup>3</sup> As of 12/31/20.

# Financial Performance – Operating Efficiencies

## Action Plan



# Value Creation

## Financial Performance

- \* History of profitability
- \* Demonstrated earnings leverage

## Improving EPS Quality, Visibility, & Sustainability

- \* Increased principal vs. agency revenue
- \* More predictable events = smoother revenue & earnings
- \* Specialty lending & industrial asset forward flow transactions provide increased predictability
- \* Date-certain events
- \* 90%+ sell through rate

## Strengthening & Leveraging the Balance Sheet

- \* Upsized credit facility
- \* Business lines of credit
- \* Capital management

## Investor Relations

- \* Investor targeting & outreach
- \* Enhance messaging, disclosures, reporting

A stylized world map with a grid overlay, featuring red and blue square markers and binary code.

# Appendix



# Reconciliations of Non-GAAP Measures

## Reconciliation of EBITDA and Adjusted EBITDA (Non-GAAP Measures)<sup>19</sup> (\$ thousands)

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	2017	2018	2019	2020
Net Income	\$1,289	\$1,685	\$369	\$408	\$612	\$1,494	\$1,216	\$577	\$38	\$2,039	\$1,264	\$6,317	(\$249)	\$3,751	\$3,899	\$9,658
Add back:																
Depreciation & amortization	84	76	79	80	76	76	74	79	90	90	92	90	313	319	305	362
Interest & other expense, net	116	38	47	13	23	22	12	7	27	8	3	7	95	214	64	45
Income tax expense (benefit)	0	64	0	206	24	54	39	(1,030)	29	(1,023)	345	(2,995)	(420)	270	(913)	(3,644)
EBITDA	1,489	1,863	495	707	735	1,646	1,341	(367)	184	1,114	1,704	3,419	(261)	4,554	3,355	6,421
Management add back:																
Stock-based compensation	61	85	73	70	71	76	63	73	75	86	97	95	246	289	283	353
Fair value adjustment of contingent consideration	0	(157)	0	0	0	0	0	0	0	0	0	0	938	(157)	0	0
Impairment of goodwill	0	0	0	0	0	0	0	573	0	0	0	0	0	0	573	0
Adjusted EBITDA	\$1,550	\$1,791	\$568	\$777	\$806	\$1,722	\$1,404	\$279	\$259	\$1,200	\$1,801	3,514	\$2,065	\$4,686	\$4,211	\$6,774

Source: Company reports.

1 The Company uses the non-GAAP financial measures "EBITDA", "Adjusted EBITDA" and "Adjusted EBITDA Margin" in assessing its results because the Company believes that these measures are relevant and useful supplemental information for our investors. The Company believes that the presentation of these non-GAAP financial measures, when considered together with our GAAP financial measures and the reconciliation to the most directly comparable GAAP financial measure, provides a more complete understanding of the factors and trends affecting the Company than could be obtained absent these disclosures. The Company's use of EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin is not meant to be, and should not be, considered in isolation or as a substitute for, or superior to, any GAAP financial measure. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. Adjusted EBITDA Margin (see Slide 18) represents Adjusted EBITDA / Revenue. For fiscal year 2017, 2018, 2019 and 2020 Net Income Margin (Net Income / Revenue) was -1%, 16%, 15%, and 37% respectively, with revenue for each respective year being \$20,129,000, \$23,664,000, \$26,168,000 and \$26,183,000. YTD represents data for the 12 months through December 31, 2020.



**HERITAGE**  
GLOBAL INC.

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