

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**Current Report
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) **July 10, 2018**

LIQUIDITY SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

0-51813

(Commission
File Number)

52-2209244

(IRS Employer
Identification No.)

6931 Arlington Road, Suite 200, Bethesda, MD

(Address of principal executive offices)

20814

(Zip Code)

Registrant's telephone number, including area code **(202) 467-6868**

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company †

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. †

Item 1.01. Entry into a Material Definitive Agreement.

On July 10, 2018, Liquidity Services, Inc., a Delaware corporation (the “Company”), entered into a definitive agreement to purchase all of the issued and outstanding capital stock of Machinio Corp., a Delaware corporation (“Machinio”), pursuant to that certain Stock Purchase Agreement (the “Purchase Agreement”) by and among the Company, Machinio, its stockholders (the “Sellers”), including, among others, Dmitriy Rokhfeld and Dan Pinto (together, the “executives”) and Shareholder Representative Services LLC, a Colorado limited liability company (solely in its capacity as representative, agent and attorney-in-fact for the Sellers). Machinio, headquartered in Chicago, Illinois and with a second office in Berlin, Germany, operates a leading global online platform for listing used equipment for sale in the construction, machine tool, transportation, printing and agriculture sectors.

The consideration paid to the Sellers for the acquisition of Machinio equity was approximately \$20 million in cash and Company equity, including the acquisition of Machinio cash of approximately \$1.5 million at the closing and the working capital adjustment (for a net cash purchase price of approximately \$16.7 million) and shares of restricted stock of the Company issued in a private placement to the executives in exchange for their shares of Machinio stock valued at approximately \$2 million (the “Purchase Private Placement”). Such Company restricted stock is subject to a 12-month resale restriction following the closing. All outstanding vested, in-the-money Machinio stock options were converted into the right to receive cash, net of the exercise price, which was paid out of the cash portion of the purchase price. In-the-money unvested Machinio options were converted into non-qualified options to purchase Company common stock. Out-of-the-money Machinio options were canceled. Further, the Sellers are eligible to receive earn-out consideration of up to \$5 million in cash, payable based on Machinio’s achievement, on a stand-alone basis, of certain financial targets for the 12-month period ended December 31, 2019.

The purchase price is subject to customary post-closing price adjustments to true-up the at-closing amounts of working capital, debt and Machinio transaction costs. Further, \$3 million of the cash consideration otherwise payable to the Sellers at the closing was deposited into escrow as partial security against indemnity claims. The Purchase Agreement contains customary representations, warranties and covenants of the parties. The executives also agreed not to directly or indirectly engage in certain activities that would compete with Machinio, and not to directly or indirectly solicit or otherwise interfere with Machinio’s or Company’s relationships with its employees and customers for five years after closing.

The Purchase Agreement also contains indemnification obligations of each party, subject to the basket and caps set forth in the Purchase Agreement, with respect to breaches of representations, warranties and covenants and certain other specified matters. The Sellers’ indemnification obligations may also be satisfied pursuant to the Company’s set-off rights against amounts payable in connection with the earn-out described above.

In connection with the acquisition, the Company also agreed to issue restricted stock units and restricted stock awards valued at approximately \$5.0 million in the aggregate to Machinio’s executives and employees. The restricted stock units and restricted stock awards will be subject to performance-based vesting, based upon the achievement of certain annual revenue and adjusted EBITDA targets through calendar year 2021, in each case, subject to each recipient’s continued employment with the Company on such vesting dates and other standard terms and conditions set forth in the respective grant agreements. The value of these grants will be recorded as future equity-related compensation expense. The grants of performance-based restricted units and restricted stock awards relate to 702,003, of which 370,370 shares of Liquidity Services common stock in the aggregate. The restricted stock units and restricted stock awards were issued: (i) in a private placement to the executives (the “Incentive Private Placement”); (ii) under the Machinio equity plan assumed by the Company at closing; and (iii) under the Company’s Second Amended and Restated 2006 Omnibus Long-Term Incentive Plan.

Item 3.02. Unregistered Sales of Equity Securities.

Pursuant to the Purchase Private Placement and the Incentive Private Placement (collectively, the “Private Placements”) described in Item 1.01 of this Current Report on Form 8-K, which description is incorporated by reference into this Item 3.02 in its entirety, on July 10, 2018, the Company issued: (i) 297,014 shares of restricted Company common stock; and (ii) restricted stock units relating to 370,370 shares of Company common stock to the executives, each of whom is an “accredited investor,” as that term is defined in the Securities Act of 1933, as amended (the “Securities Act”). The restricted stock and restricted stock units were issued in reliance on the exemption from registration afforded by Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act. Each of the individuals receiving restricted stock or restricted stock units in the Private Placements represented that it was acquiring the securities for investment only and not with a view towards, or for resale in connection with, the public sale or distribution thereof.

Item 7.01. Regulation FD Disclosure.

On July 10, 2018, the Company issued a press release announcing the completion of the acquisition of Machinio. A copy of the press release is furnished as Exhibit 99.1 to this Current Report and is incorporated herein by reference.

The information contained in this Item 7.01 of Current Report on Form 8-K and Exhibit 99.1 attached hereto (the “7.01 Information”) will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor will the 7.01 Information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description of Exhibit
99.1	Press release of the Company announcing the acquisition of Machinio Corp., dated July 10, 2018.

Exhibit Index

Exhibit No.

Description

99.1

[Press release of the Company announcing completion of the transaction, dated July 10, 2018](#)

Liquidity Services Acquires Machinio, a Leading Global Platform for Used Equipment Listings

Acquisition strengthens and expands Liquidity Services' platform for global equipment buyers and sellers with more scale, services and channels to conduct commerce

BETHESDA, MD -- July 10, 2018 -- Liquidity Services, Inc. (NASDAQ: LQDT), a global solution provider in the reverse supply chain with the world's largest marketplace for business surplus, today announced it has acquired Machinio Corp., a leading global online platform for listing used equipment for sale in the construction, machine tool, transportation, printing and agriculture sectors. The acquisition expands the portfolio of solutions Liquidity Services offers its base of commercial and government customers to monetize assets. Machinio operates a robust online equipment listing marketplace, with over 1.2 million assets for sale, valued at over \$25 billion, and 10 million annual website visits across 190 countries. Machinio also provides equipment sellers with a suite of online analytics tools and software solutions to optimize their business performance. Machinio customers will benefit from Liquidity Services' global equipment industry experience and network of over three million registered buyers, providing further global exposure for Machinio's equipment listings.

Machinio offers annual recurring subscriptions to over 2,200 dealers, brokers and other suppliers of used equipment that enable them to more efficiently sell their inventory to a broad base of interested buyers. Machinio uses proprietary technology, data management tools and a mobile first approach to connect buyers with the most relevant global supply of used equipment available for sale. In turn, Machinio provides sellers highly effective, automated tools to reach qualified business buyers. Machinio has grown rapidly over the past five years and now has a global team serving customers across Europe, North America, South America and Asia.

"This acquisition supports our strategy as the world's largest marketplace for business surplus by expanding the services and channels we offer our sellers to maximize recovery and growing our network of buyers in important global equipment verticals," said Bill Angrick, Chairman of the Board and CEO of Liquidity Services. "Machinio is delivering superior value to their customers and our combined offering will enable us to grow our transaction volume, expand our recurring revenue service offerings, and utilize technology and innovation to improve our seller and buyer experience."

"We are excited to partner with Liquidity Services and look forward to leveraging their expertise and resources to deliver significant value to our customers. Liquidity Services' global brand and strong relationships will further accelerate Machinio's growth. Together, we will continue to enhance our platform and services to meet the needs of global sellers and buyers of used equipment," said Dmitriy Rokhfeld, President of Machinio.

Machinio, based in Chicago and Berlin, will continue to operate under its current branding and management team led by executive co-founders Dmitriy Rokhfeld and Dan Pinto.

Liquidity Services has paid approximately \$20.0 million of consideration for 100% of the equity in Machinio, consisting of approximately \$18.0 million in cash, subject to working capital adjustments under the terms of the stock purchase agreement, and \$2.0 million in restricted stock issued to Machinio's executives in exchange for stock in Machinio. The net cash portion of the purchase price is estimated to be \$16.7 million, net of the estimated cash assumed in the transaction and a working capital adjustment. Additional cash consideration, totaling no more than \$5.0 million, may be paid based upon Machinio's achievement of certain financial targets in calendar year 2019. In connection with the acquisition, Liquidity Services has also agreed to issue restricted stock valued at approximately \$5.0 million to Machinio's executives and employees. The restricted stock will be subject to performance-based vesting, based upon the achievement of certain annual revenue and adjusted EBITDA targets through calendar year 2021, in each case subject to each employee's continued employment with Liquidity Services on such vesting dates and other standard terms and conditions set forth in the respective grant agreements. The value of these grants will be recorded as future equity-related compensation expense. The performance-based restricted stock relates to 702,003 shares of Liquidity Services common stock.

Liquidity Services expects the transaction to be dilutive to fiscal year 2018 GAAP earnings per share and will become accretive to GAAP earnings per share during fiscal year 2019. During this period, we expect Machinio's operations to be cash neutral to Liquidity Services based on the growth of Machinio's deferred revenues from its subscription services.

About Liquidity Services

Liquidity Services (NASDAQ:LQDT) operates a network of leading e-commerce marketplaces that enable buyers and sellers to transact in an efficient, automated environment offering over 500 product categories. The company employs innovative e-commerce marketplace solutions to manage, value and sell inventory and equipment for business and government sellers. Our superior service, unmatched scale and ability to deliver results enable us to forge trusted, long-term relationships with over 11,000 sellers worldwide. With over \$7 billion in completed transactions, and over three million buyers in almost 200 countries and territories, we are the proven leader in delivering smart commerce solutions. Visit us at [LiquidityServices.com](http://www.liquidityservices.com). <http://www.liquidityservicesinc.com>.

Forward-Looking Statements

This press release contains forward-looking statements made under the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements regarding the anticipated benefits of the transaction to Machinio's and Liquidity Services' buyers and sellers, as well as the effects of the transaction on Liquidity Services' transaction volume, earnings per share and cash position. These statements are only predictions. The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. You can identify forward-looking statements by terminology such as "may," "will," "should," "could," "would," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continues" or the negative of these terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

There are a number of risks and uncertainties that could cause results to differ materially from the forward-looking statements contained in this press release. Important factors that could cause our actual results to differ materially from those expressed as forward-looking statements include, among others: the effect of the announcement of the transaction on Machinio's business relationships, operating results, and business generally; Liquidity Services' ability to successfully integrate Machinio's operations, service offerings and technology; risks that the integration efforts disrupt operations of Machinio's and Liquidity Services' ongoing business operations; and potential difficulties in Machinio employee retention as a result of the transaction; and other factors set forth in our filings with the SEC from time to time. There may be other factors of which we are currently unaware or deem immaterial that may cause our actual results to differ materially from the forward-looking statements

All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this document and are expressly qualified in their entirety by the cautionary statements included in this document. Except as may be required by law, we undertake no obligation to publicly update or revise any forward-looking statement to reflect events or circumstances occurring after the date of this document or to reflect the occurrence of unanticipated events.

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