



HERITAGE
GLOBAL INC.

An Asset Services company specializing in financial and industrial asset transactions

Investor Presentation

November 2020

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

Price¹

• \$1.57

Market Cap¹

• \$55.3 Million

LTM Revenue²

• \$23.5 Million

Net Income²

• \$3.9 Million

Adj. EBITDA^{2, 3}

• \$3.5 Million

Diluted EPS²

• \$0.13

Corporate HQ: San Diego, CA

Founded: 2009 (current business)

Employees: 46 (current)

¹ Capital IQ, market data in US dollars as of 11/13/20

² Represents LTM data through September 30, 2020

³ 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.

Scott West
Chief Financial Officer



- Over 25 years executive financial accounting and business management experience serving various public and private equity funded companies.
- Previously spent 11 years at Ernst & Young working on a large number of IPO and M&A transactions.
- Holds a Bachelors of Science degree in Accounting from Arizona State University.

Dave Ludwig
President, Financial Assets



- Over 24 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.

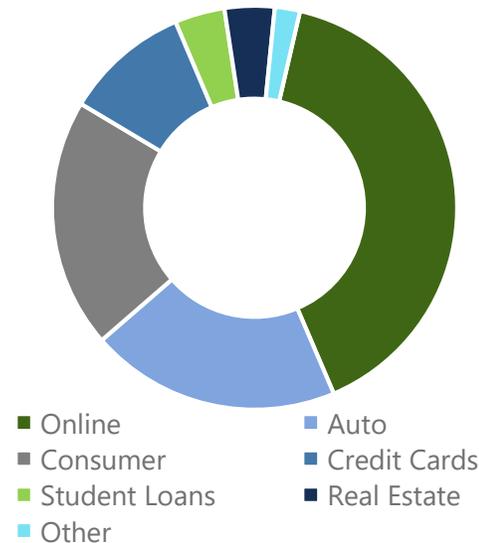
Financial Assets

- 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 \$1T¹ and credit card charge-offs are the highest since 3Q 2012².

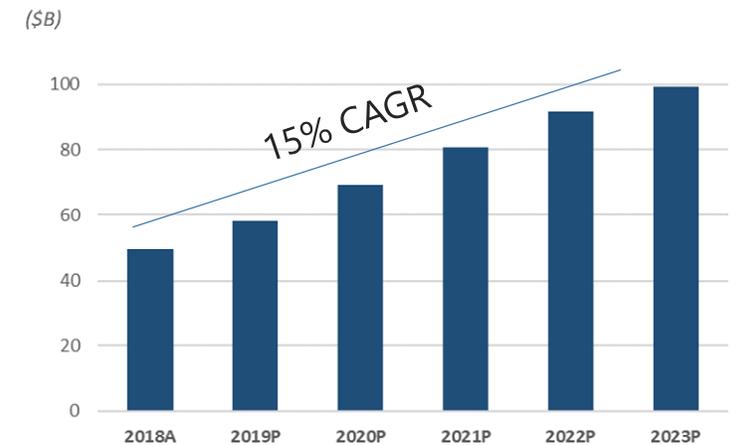
Industry Overview



NLEX Credit Sales Mix³



Strong Online Lending Growth⁴



¹U.S. Federal Reserve, Seasonally Adjusted, for 2Q20 ²U.S. Federal Reserve; ³From the Company for Q1-Q3 2020; ⁴Annual Originations by digital lending platforms from 2019 US Digital Lending Report by S&P Global Market Intelligence; ⁵U.S. Federal Reserve credit card charge-off rates for 2Q20 and 4Q09, respectively.

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

For 20+ years, 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, student loans, and peer-to-peer lending sectors.
- Plans to add post-sale initiatives.
- Banks set to bring more volume to market reflecting a less onerous regulatory environment.

REPRESENTATIVE CLIENTS

BANK OF AMERICA 



CHASE  J.P.Morgan













Financial Asset Services – Secured Lending

1

Services

Heritage Global Capital (“HGC”) provides specialty financing solutions to small- and medium-sized investors in charged-off and nonperforming asset portfolios and other asset-based classes.

2

Differentiating Factors

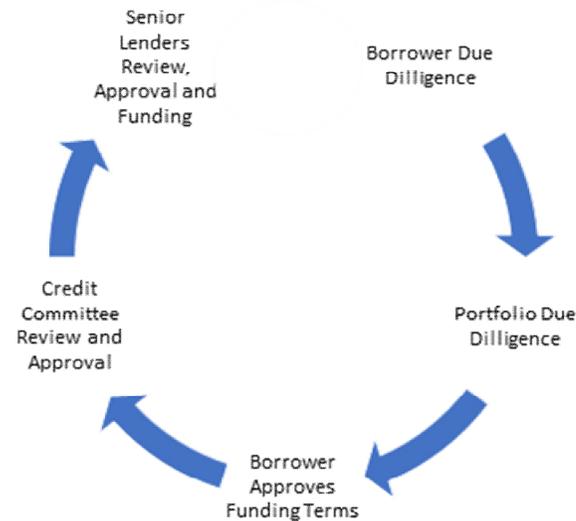
Decades of domain expertise and the ability to leverage established relationships from the HGC executive team who have participated in extensive funding activity and hold widespread industry relationships.

3

Growth Drivers

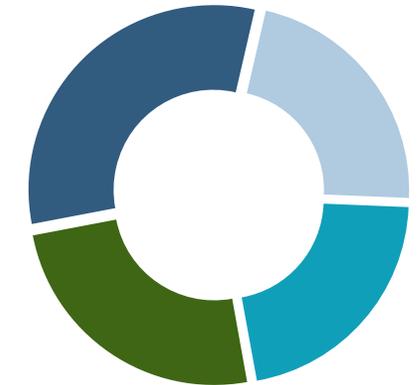
- Increasingly penetrating an underserved growing market – smaller buyers of charged-off receivables.
- Providing more economic financing options.
- Providing a greater variety of funding solutions which allows our Clients to stretch their equity, creating growth.
- Banks set to bring more volume to market reflecting a less onerous regulatory environment.

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 year¹ and manufacturing outlook is lowest since 1Q2009².

Industry Overview

Enterprise Industrial Assets

- Surplus or distressed seller of "inside building" assets.
- Machine manufacturing tools, aviation, pharma/biotech, semiconductors.

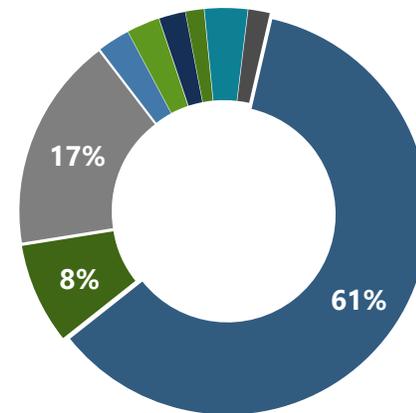
Heritage Global

- HGBL acts as agent, principal or guarantor in asset sales.
- Avoids big iron and low margin retail auctions.
- Auctions provide key market intelligence for valuation services which can drive auction leads.
- Fees range from 15-50% depending on role of agent, guarantor or principal.

Industrial Asset Buyers

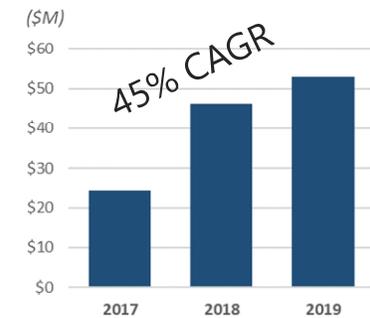
- Buyers consist of both end-users and dealers.

Mix of Auctions by Industry³

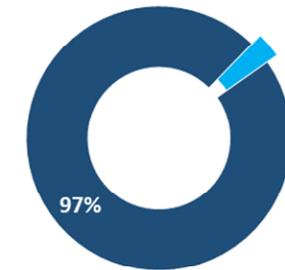


- BioPharma
- Food & Beverage
- Solar
- Power/Energy
- Other
- Machine Tools
- Semis/Electronics
- IT/Tech
- Hospital/Medical

Auction Volume Growth⁴



Scalable Auctions⁵



- Online Auctions
- Other

Note: ¹Statista, Manufacturing of Machinery & Equipment - Global 2020; ²Nat'l Assn of Mfrs 3Q20 Outlook Survey; ³From the Company; mix of data for fiscal 2017-19; ⁴From the Company; growth in gross asset sales with and without partners; ⁵From 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

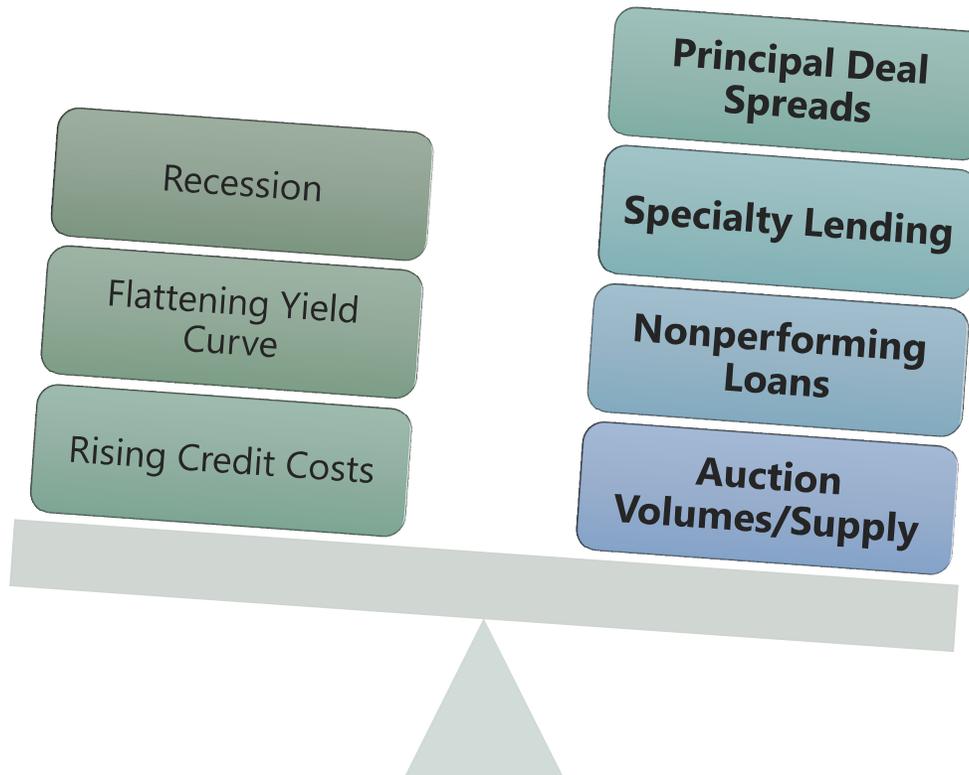
Positioned to Grow in All Cycles



Premium prices for used equipment in current supply chain.

Pressure on Net Interest Margins.

Declining Net Interest Income.



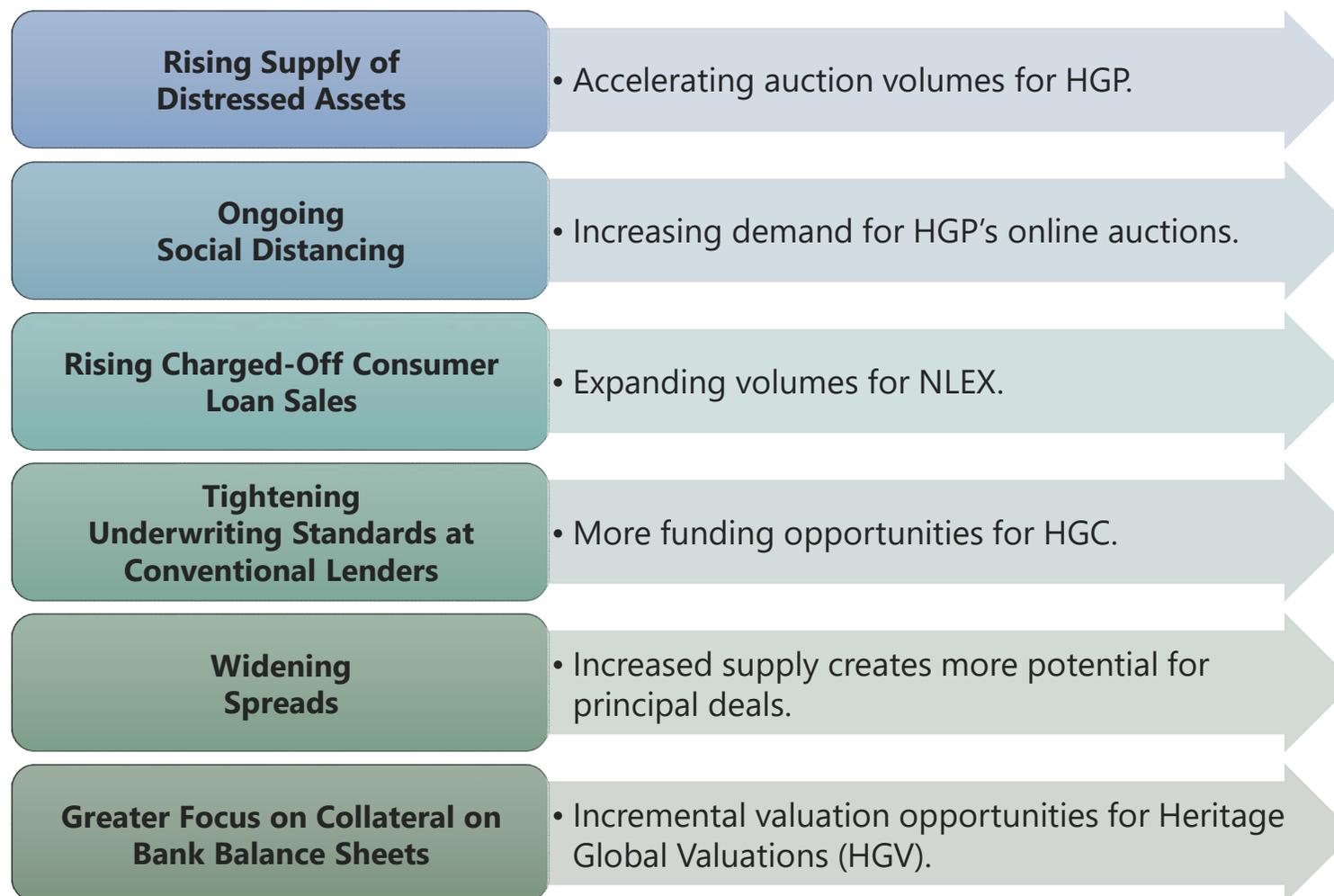
Wider spreads on distressed assets.

Growth in alternative lending.

Higher nonperforming loans/net charge-offs.

Building surplus inventories and bankruptcies.

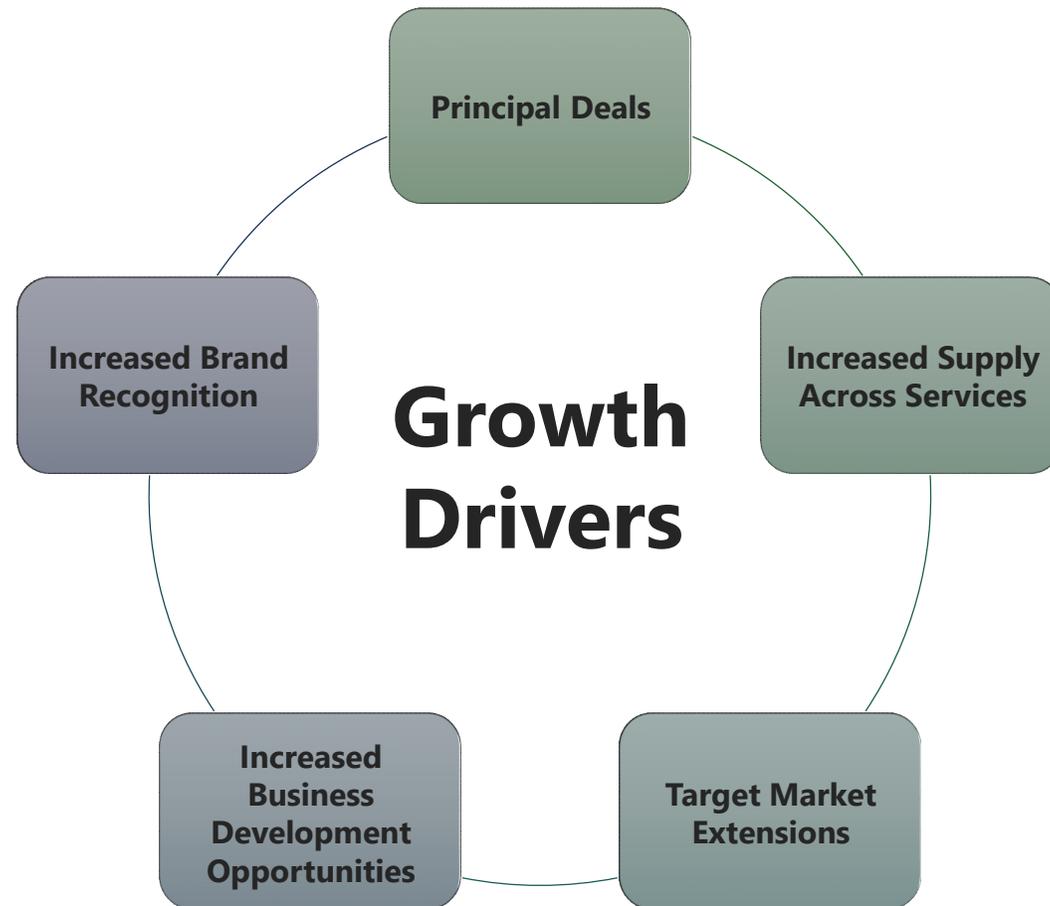
Expected Impact of COVID-19 and Post COVID-19 Economic Slowdown



* 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

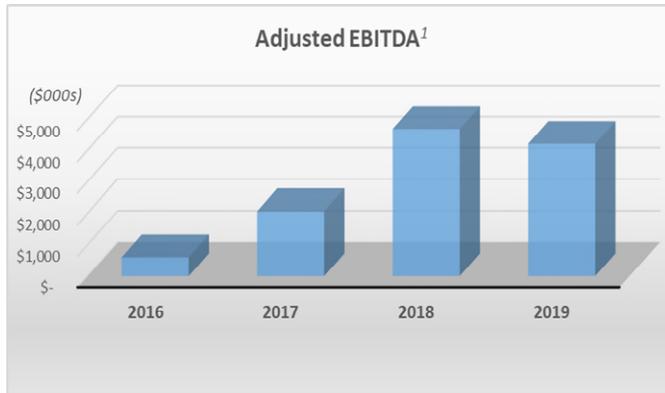


 Puerto Rico	 Costa Rica
 Mexico	 Canada
 Spain	
 England	 France
 Ireland	 Germany
 Italy	 China
 South Korea	 Australia

Financial Performance

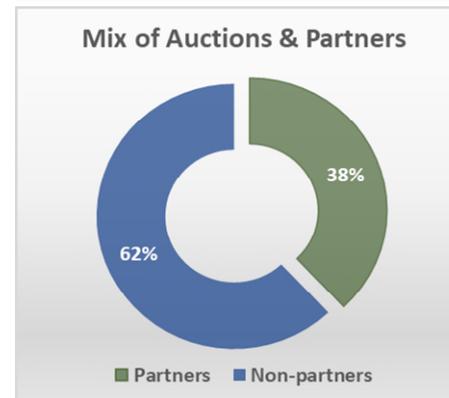
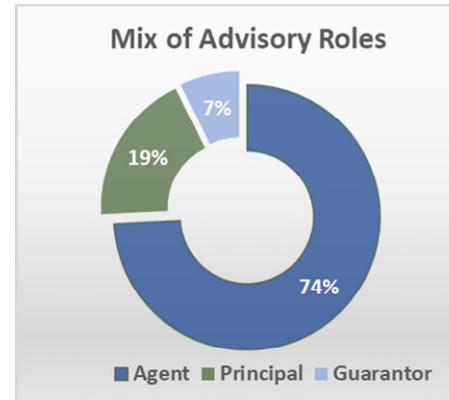
1 Profitability

- Proven track record of profitability
- Attractive margin profile
- \$82M NOL carry forwards³



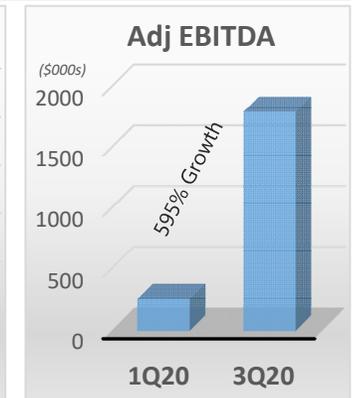
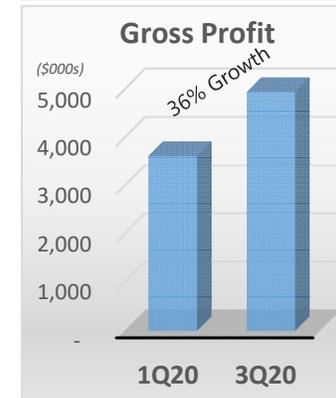
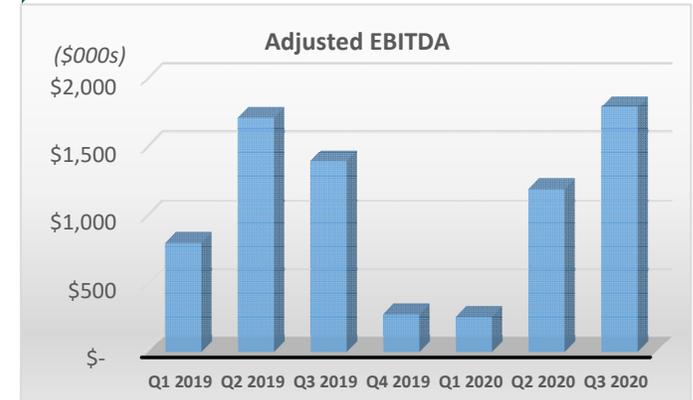
2 Flexibility

- Incremental leverage and revenue streams by taking different roles and using partners as needed²



3 Recovery

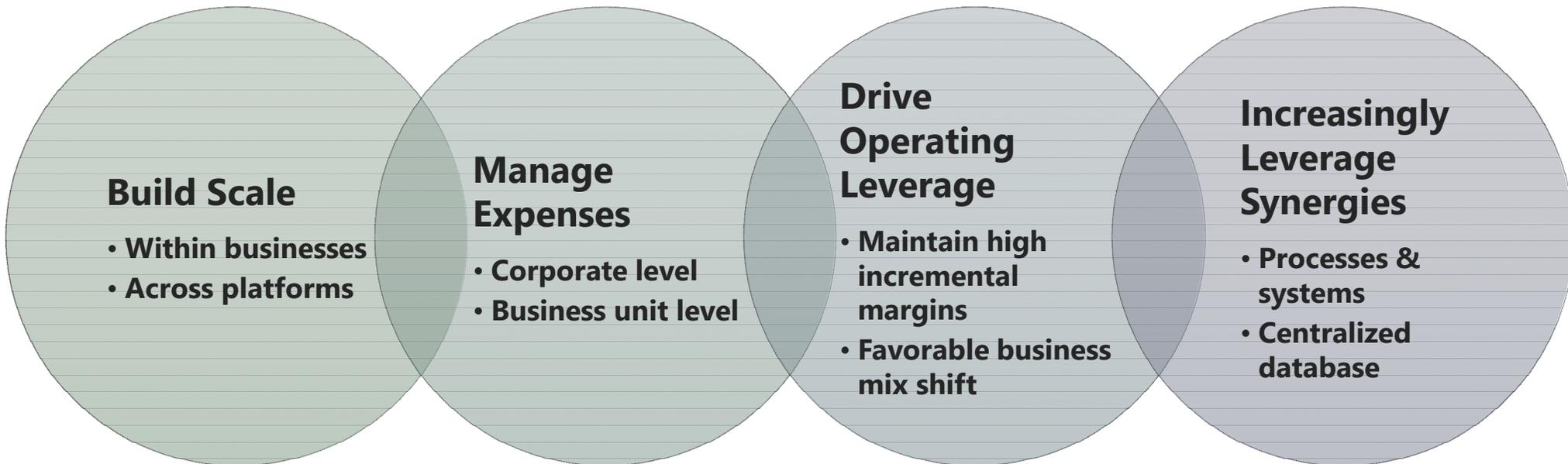
- Improving results across businesses
- Strong operating leverage seen in recent results²



¹ Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. See "Reconciliations of Non-GAAP Measures" in the Appendix of this presentation. ²2019 data from the Company for mix of auction advisory roles and partner transactions. ³As of 9/30/20.

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

Reconciliations of Non-GAAP Measures

Reconciliation of EBITDA and Adjusted EBITDA (Non-GAAP Measures)¹ (\$ thousands)

	<u>1Q18</u>	<u>2Q18</u>	<u>3Q18</u>	<u>4Q18</u>	<u>1Q19</u>	<u>2Q19</u>	<u>3Q19</u>	<u>4Q19</u>	<u>1Q20</u>	<u>2Q20</u>	<u>3Q20</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>LTM</u>
Net Income	\$1,289	\$1,685	\$369	\$408	\$612	\$1,494	\$1,216	\$577	\$38	\$2,039	\$1,264	\$14	(\$249)	\$3,751	\$3,899	\$3,918
Add back:																
Depreciation & amortization	84	76	79	80	76	76	74	79	90	90	92	316	313	319	305	351
Interest & other expense, net	116	38	47	13	23	22	12	7	27	8	3	63	95	214	64	45
Income tax expense (benefit)	0	64	0	206	24	54	39	(1,030)	29	(1,023)	345	21	(420)	270	(913)	(1,679)
EBITDA	1,489	1,863	495	707	735	1,646	1,341	(367)	184	1,114	1,704	414	(261)	4,554	3,355	2,635
Management add back:																
Stock-based compensation	61	85	73	70	71	76	63	73	75	86	97	99	246	289	283	331
Fair value adjustment of contingent consideration	0	(157)	0	0	0	0	0	0	0	0	0	92	938	(157)	0	0
Impairment of goodwill	0	0	0	0	0	0	0	573	0	0	0	0	0	0	573	573
Adjusted EBITDA	<u>\$1,550</u>	<u>\$1,791</u>	<u>\$568</u>	<u>\$777</u>	<u>\$806</u>	<u>\$1,722</u>	<u>\$1,404</u>	<u>\$279</u>	<u>\$259</u>	<u>\$1,200</u>	<u>\$1,801</u>	<u>\$605</u>	<u>\$2,065</u>	<u>\$4,686</u>	<u>\$4,211</u>	<u>\$3,539</u>

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 2016, 2017, 2018 and 2019 Net Income Margin (Net Income / Revenue) was 0%, -1%, 16% and 15%, respectively, with revenue for each respective year being \$23,833,000, \$20,129,000, \$23,664,000 and \$26,168,000. LTM represents data for the 12 months through September 30, 2020.



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