



uSell

May 2018
OTC Markets: USEL



CBS



"My favorite of the selling sites."

- Jean Chatzky, NBC Today Show



FOX

The
New York
Times

Forbes

Cautionary Note Regarding Forward Looking Statements

Certain statements in this presentation and responses to various questions include forward-looking statements, including statements regarding growth, opportunities for our new and legacy business models including entry into partnerships with carriers, stabilization of the foreign markets, potential increased gross margins and inventory turns and platform expansion. The words “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “could,” “target,” “potential,” “is likely,” “will,” “expect” and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. Important factors that could cause actual results to differ from those in the forward-looking statements include the impact of any foreign events on the market for used phones, our ability to generate meaningful gross margins, enhance the We Sell Cellular business with our technology, maintain and establish relationships with suppliers and convince carriers to enter into partnerships. Further information on our risk factors is contained in our filings with the SEC, including the Form 10-K for the year ended December 31, 2015. Any forward-looking statement made by us herein speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

What we do

- uSell extracts the maximum value, at scale, from used smartphones and mobile devices
- Using our proprietary online marketplace technology, we connect a large supply of used mobile devices with a global marketplace of buyers

We source from:

- Major wireless carriers, retailers, and manufacturers looking to maximize value from their trade in and leasing programs
- Individual consumers looking to sell devices directly on our website, www.uSell.com

We sell to:

- A global network of retail and wholesale buyers that do not have direct access to consistent supply



With the acquisition of top smartphone wholesaler We Sell Cellular in 2015, uSell combines the marketplace technology behind its industry leading consumer trade in platform with over 14 years of reverse logistics and distribution expertise



**Consumer Interface,
Technology, Systems**

Nik Raman
Chief Executive Officer

Founder of uSell.com, a direct to consumer trade-in platform that has driven millions of online visits



**Wholesale logistics and
distribution**

Brian Tepfer
Executive Vice President

Founder of We Sell Cellular, LLC, an R2 Certified, leading wholesaler and smartphone distributor



Founded as
Ecosquid.com
with seed money
from Harvard

Launched online
price aggregator
(i.e kayak.com)
for trade in
companies

Combined with
uSell.com, began
marketing on TV

Launched
clearinghouse/
exchange
platform for
micro-
wholesalers

Scaled to over
1 million visits
per month

Shifted to
wholesale,
acquired We
Sell Cellular

Scaled to ~500K
devices processed,
migrated business
online, expanded
supply relationships



Nik's Path

2010

2011

2012

2013

2014

2015

2016-17

Combined



Brian's Path

1996

1998

2003

2005

2010

2014

Opened first
wireless stores

Began selling
activations via call
center

Shifted focus to
used devices,
began selling
phones out of car

Won contracts with
major
manufacturers and
big box retailers

Shifted focus to
trade-in, data
destruction, and
reclamation

Revamped facility, received
R2, ISO, and OSHA
certification, scaled to ~
200K devices processed

Critical industry dynamics

- Over the last 36 months, all major wireless carriers have realized that trade-ins can be used to minimize the smartphone subsidies that they had been funding
- Carriers are using equipment installment plans (EIPs) and handset leasing plans as a differentiator and key customer acquisition tactic. The model enables consumers to defer the cost of their devices and then trade in their phones at the time of upgrade, at which point the carrier can capture the residual value from these used devices
- With approximately **1.6 billion** phones sold globally in 2017, and the upcoming transition to the 5G network, the number of used phones traded-in through these programs is set to increase exponentially
- As a consequence, carriers are faced with the task of attempting to liquidate huge quantities of devices in a profitable yet efficient manner

Used Smartphone Category Potential

$$\begin{array}{ccccc} \mathbf{120M} & & \mathbf{\$140} & & \mathbf{\$17B} \\ \text{Used Smartphones} & \mathbf{X} & \text{Avg. Value / used} & \mathbf{=} & \text{In Annual} \\ \text{Sold/Traded in 2016} & & \text{mobile device} & & \text{Opportunity} \end{array}$$

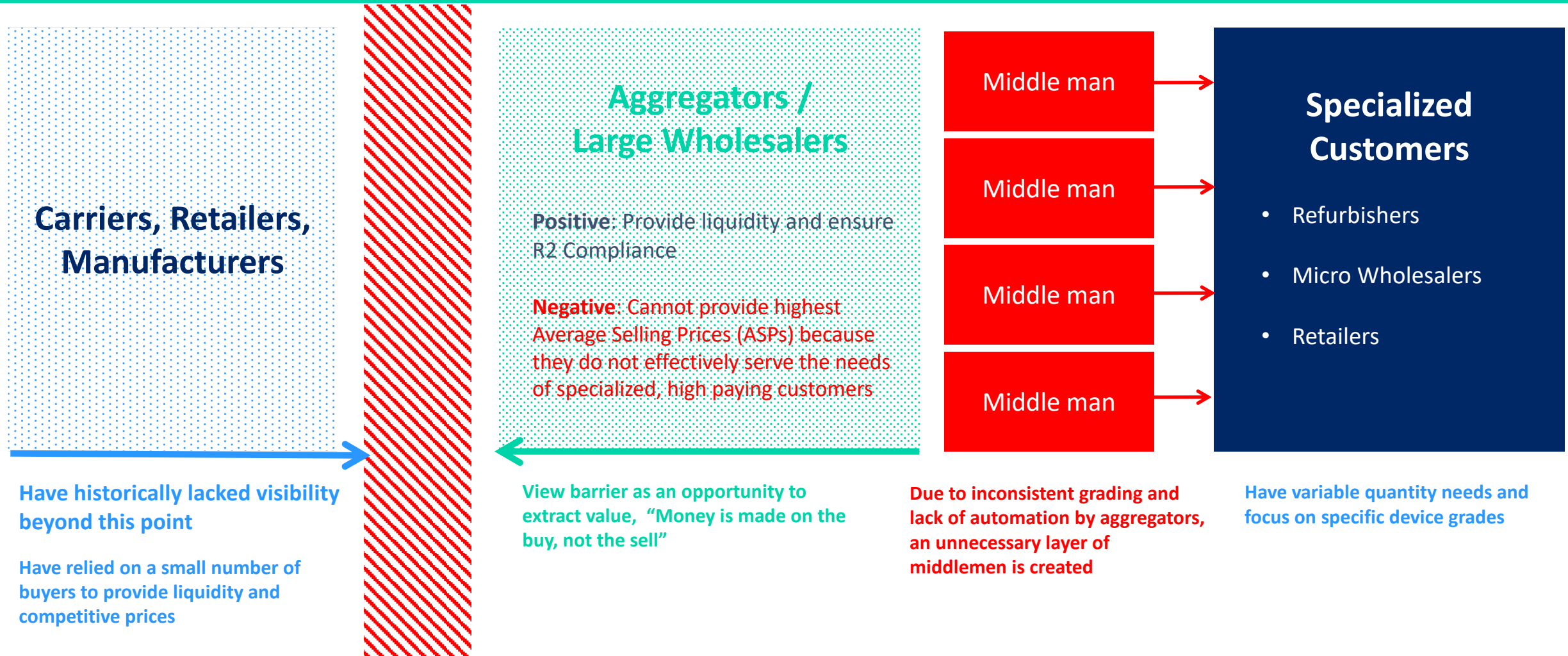






According to a 2016 study by Deloitte, the market for used phones **grew by 50%** between 2015 and 2016, **4-5X faster** than the overall smartphone market, and will continue to accelerate **through 2020**

Today's Fragmented Supply Chain



Lack of transparency and inefficiency in the supply chain have created barriers for carriers, retailers, and manufacturers to maximize value from their inventory

Our Competition

We compete with a small group of aggregators/wholesalers that purchase devices from major carriers, manufacturers, retailers, and their distribution partners. As depicted on the previous slide, most of these competitors do not maximize value from devices because:

- They do not leverage technology or automation to serve specialized customers directly, but rather use traditional over-the-phone selling methods to sell to a handful of buyers that buy large quantities
- The level of testing conducted on their devices is often inconsistent and incomplete, thus resulting in poor quality control and lower sales prices
- The capital intensive nature of buying inventory forces them to focus on liquidating the asset as quickly as possible rather than extracting maximum value

The Changing Landscape

Carriers are becoming more aware of the inefficiencies in the supply chain, and are increasingly looking to disintermediate non-value adding constituents

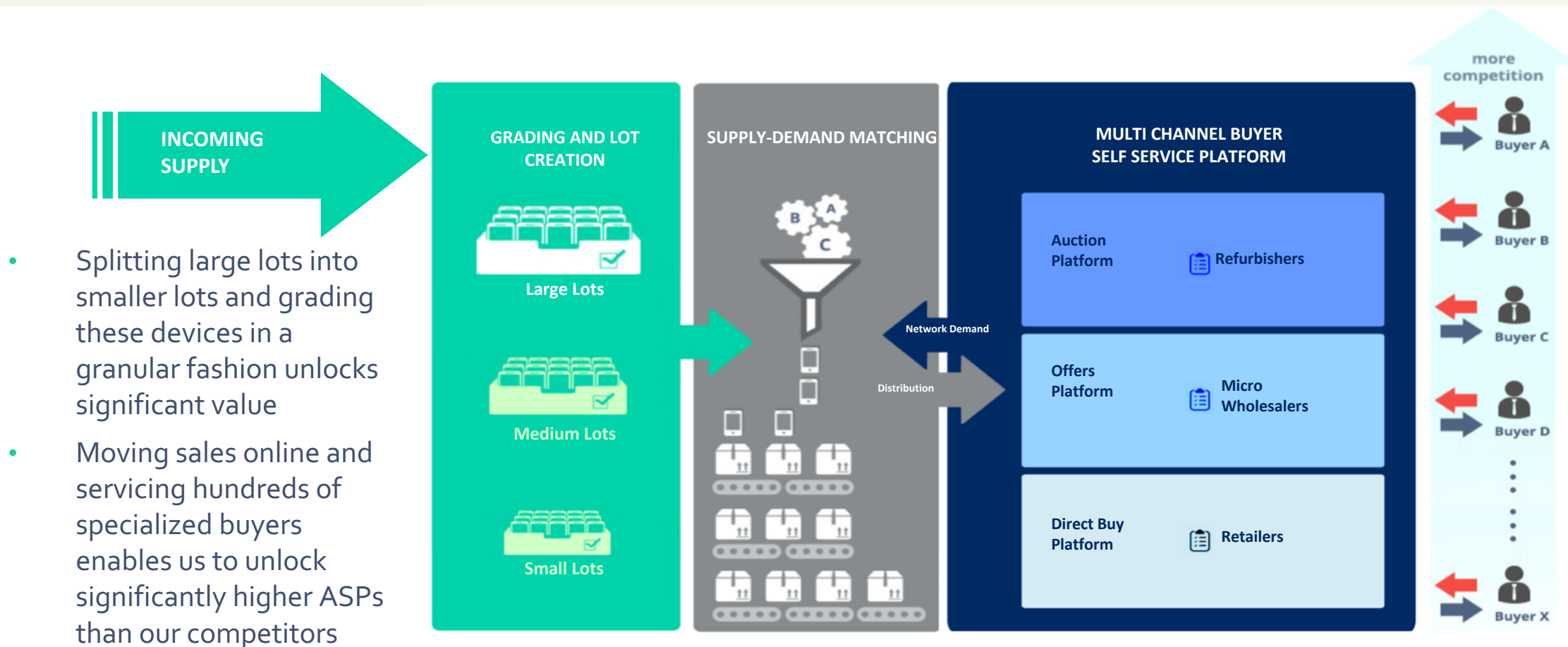
- Given the volume of devices traded in, the opportunity for value extraction for the carriers is too large to ignore
- While carriers have historically valued the liquidity provided by large wholesalers and aggregators above all else, they are increasingly looking to extract higher ASPs by reaching deeper into the supply chain
- In order to accomplish this, they must manage the increasing marginal costs of serving smaller, specialized, and higher paying customers

Increasing Cost of Disintermediation



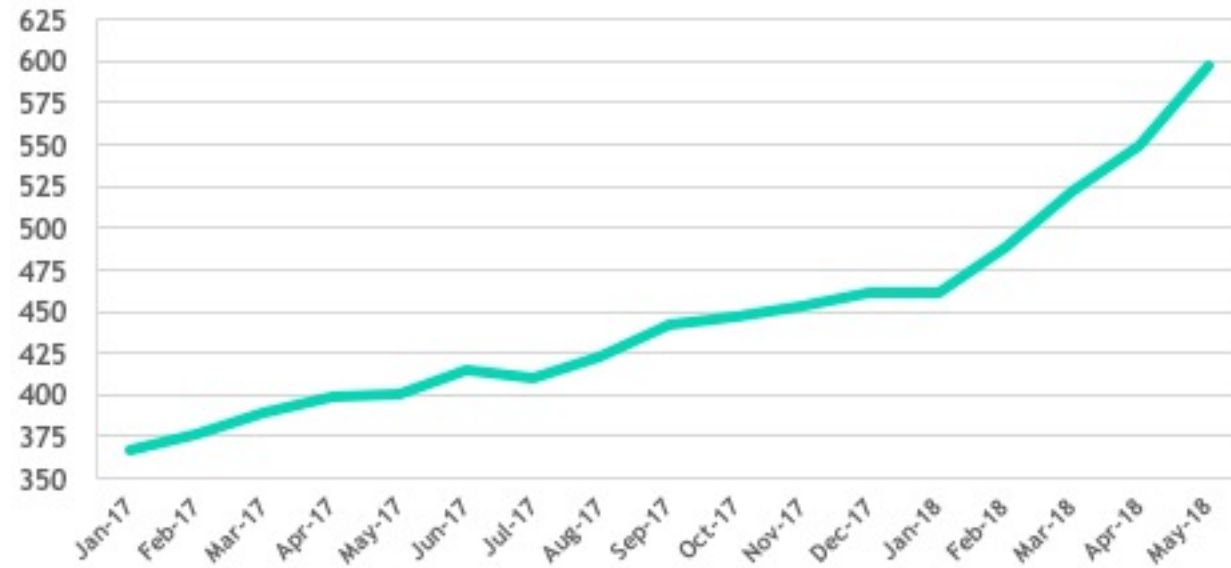
Our Solution

uSell has developed a process and platform that leverages specialized grading and segment-specific automation strategies to serve specialized, high paying customers directly while reducing the marginal cost to serve these customers



Large, Growing Customer Base

We Sell Cellular Number of Active Customers by Month

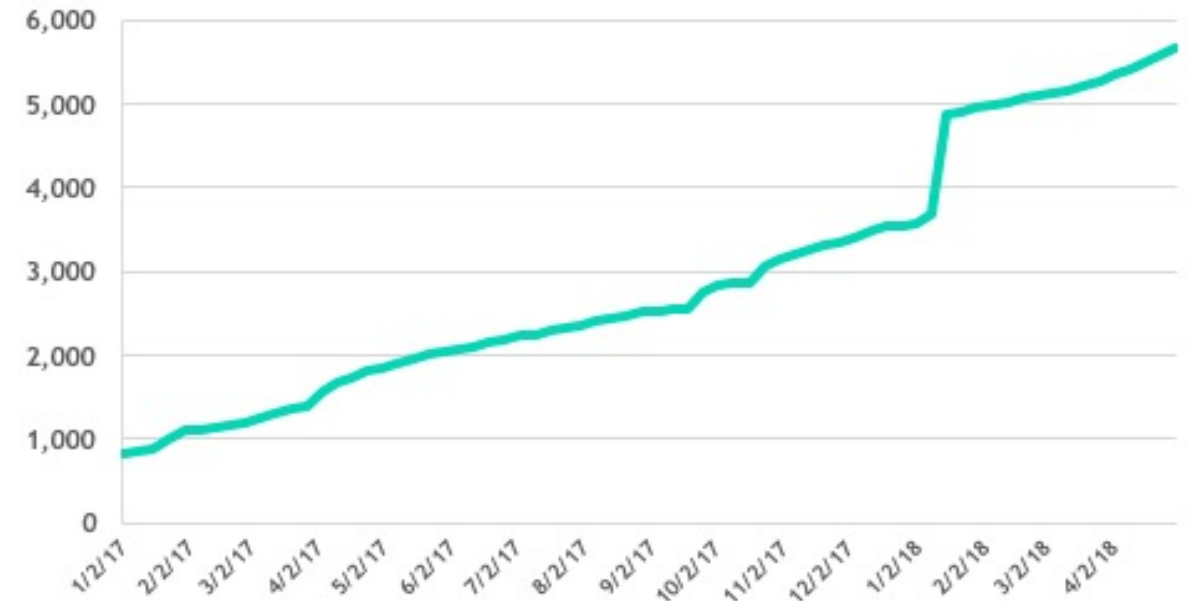


*Note: Active customers are defined as customers that have purchased in the last 12 months

Customer Data

- 85% of monthly customers are repeat buyers
- Return rate of just 5% compared to 10%+ for the industry

We Sell Cellular Number of Customer Accounts by Month



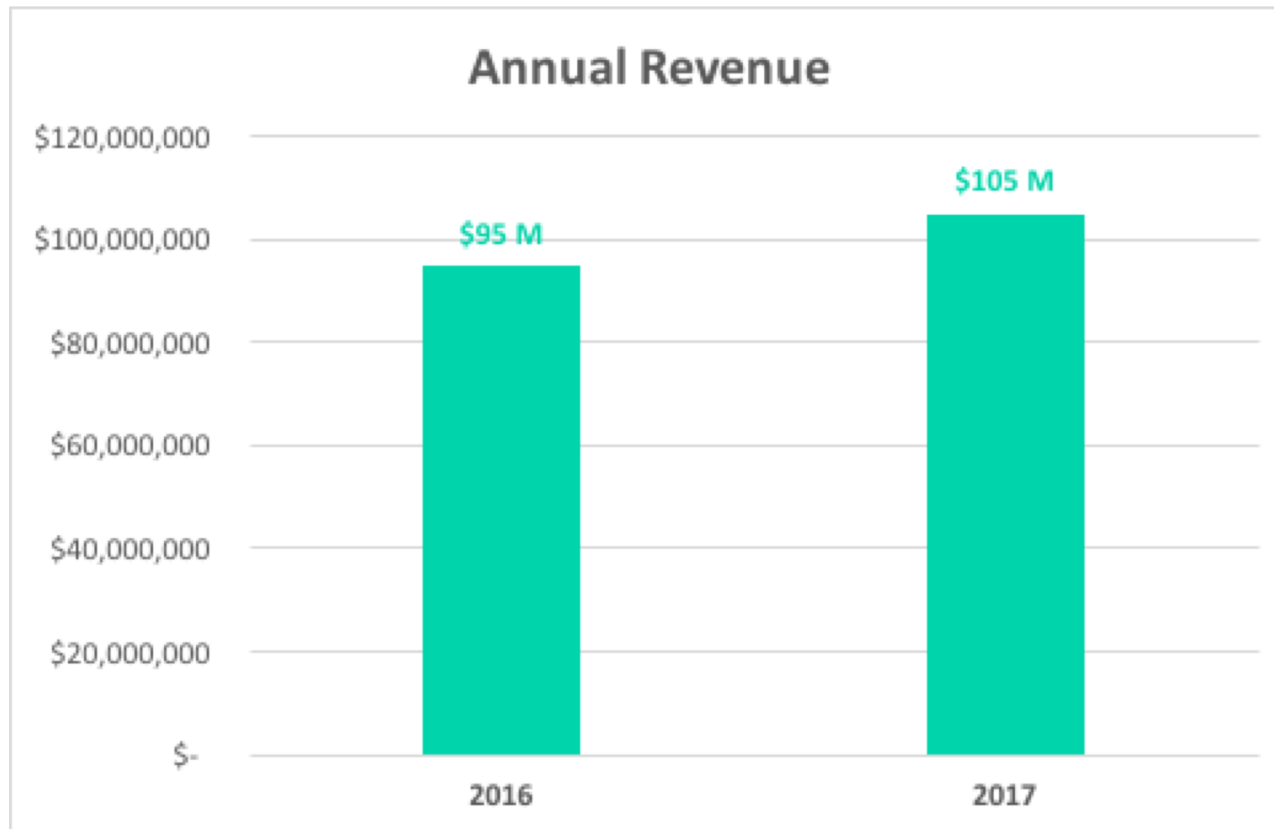
Prospect Data

- 80-100 new account sign ups per week
- 85% of new accounts come from organic search

Our strategy has resulted in substantial customer and prospect growth despite minimal marketing spend

Historical Revenue Growth

We have liquidated over \$200M in used phone inventory over the last two years. Our selling capacity continues to expand with our growing customer base



- The table to the left indicates our reported revenue as per Generally Accepted Accounting Principles (GAAP)
- In 2017 we were also responsible for the marketing of a special purpose entity which engaged in the same business as uSell. This vehicle had material sales in 2017 which are not disclosed here.

*Note: Revenue in Q1 of 2018 fell to just over \$14M as a result of the downturn in our business outlined in our 10K. While we believe that the market has now stabilized, the above numbers are meant to depict the purchasing capacity of our customer base, and are not meant to be an indication of future Revenue. Based on our shift in strategy outlined on the next slide, Revenue in our legacy business will likely decline as we focus on our Platform Partnership Model

Go-Forward Strategy

Moving forward, we will enable our supply partners to integrate with our platform and sell directly to our high-paying customer base. We will continue to purchase product directly from our suppliers for re-sale, but will scale this business down to match the opportunity

Proprietary Trading Model (legacy business)

- We will continue to purchase opportunistically from suppliers where we see mutual benefit
- Under this model, devices are purchased and shipped to our warehouse, where they are processed and resold to our customers
- We earn profits based on our ability to turn inventory rapidly and sell at a higher price than we purchase, while minimizing the costs associated with processing devices

Platform Partnership Model (new business)

- We will pursue new partnership models through which we will enable our suppliers to access our channel of high paying customers directly via technology integration
- Under this model, devices would be drop-shipped from our suppliers to our customers, and we will aim to earn a commission on overall Gross Merchandize Volume (GMV) processed through our platform

*Note: The following two slides provide illustrative examples of how the above two models are expected to work and the potential gross margin dollars we may earn from each. We have not generated any revenues from the Platform Partnership Model as of May 9, 2018. The numbers used and the percentages used to illustrate how the Platform Partnership Model will work are arbitrary and should not be deemed to be a forecast or projection.

Key Success Metrics, Proprietary Trading Model

As in prior years, our success under this model is determined by our ability to turn inventory rapidly and realize higher margins on purchased inventory. We believe that by limiting this portion of our business to opportunistic purchases, we can optimize for both

		Gross Margin %		
		4%	6%	8%
Monthly Inventory Turns	0.75	\$ 1,875,000	\$ 2,872,340	\$ 3,913,043
	1.00	\$ 2,500,000	\$ 3,829,787	\$ 5,217,391
	1.25	\$ 3,125,000	\$ 4,787,234	\$ 6,521,739

Annual Gross Margin Dollars

- Each cell represents uSell's potential annual gross margin dollars, assuming that average inventory remains fixed at roughly \$5M and we achieve the indicated levels of gross margin and inventory turnover
- This chart does not give effect to additional capital deployed beyond the \$5M
- Operating costs to manage this part of the business are roughly \$2.15M (this includes an estimate of variable selling costs)

*Note: Gross margin includes all variable expenses related to buying and selling handsets, including but not limited to the purchase price of devices, warehouse personnel, shipping, cellular supplies, and fees paid to vendors for the acquisition of devices, but excludes non cash charges such as amortization of our capitalized technology. 2017 Gross margin (excluding non cash charges) was 6.2%; however, Q1 2018 gross margins (excluding non cash charges) were -3.4% due to a downturn in the business related to global market disruptions. We believe that the market has now stabilized

Key Success Metrics, Platform Partnership Model

Our success in this model will be determined by our ability to drive a high volume of sales through our platform while realizing sufficiently high ASPs for our supply partner(s)

GMV Processed Through Platform			
	\$ 50,000,000	\$ 100,000,000	\$ 150,000,000
Platform Fee	4% \$ 2,000,000	\$ 4,000,000	\$ 6,000,000
	5% \$ 2,500,000	\$ 5,000,000	\$ 7,500,000
	6% \$ 3,000,000	\$ 6,000,000	\$ 9,000,000

Annual Gross Margin Dollars

- Each cell represents uSell's potential annual gross margin dollars, assuming that we achieve the platform fee percentages and GMV levels depicted
- It is important to note that we are currently not generating any revenue under this model but intend to strike partnerships with one or more of our suppliers
- Costs to manage this part of the business are roughly \$2M (this includes both opex and capex related to platform development)

*Note: The above gross margin dollars estimates do not include costs such as platform hosting fees, which we do not believe to be material. The above numbers are not a forecast. As we do not currently generate income under this model, the above chart is simply meant to illustrate the potential of the Platform Partnership Model

Conclusion



uSell has developed a platform and approach that creates efficiencies in the supply chain and maximizes the value of used smartphones



uSell's platform and growing base of close to 600 customers has the potential to substantially benefit carriers and other large suppliers in the industry



uSell will continue to manage its legacy proprietary trading business while seeking new ways to monetize its technology through deeper relationships with suppliers