

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

About Us

Ritchie Bros. Auctioneers Incorporated ("Ritchie Bros.", the "Company", "we", or "us") (NYSE & TSX: RBA) is a world leader in asset management and disposition of used industrial equipment and other durable assets, selling \$3.2 billion of used equipment and other assets during the first nine months of 2017. Our expertise, unprecedented global reach, market insight, and trusted portfolio of brands provide us with a unique position in the used equipment market. We primarily sell used equipment for our customers through live, unreserved auctions at 45 auction sites worldwide, which are simulcast online to reach a global bidding audience. On May 31, 2017, we completed our acquisition of IronPlanet Holdings, Inc. ("IronPlanet"), a leading online marketplace for heavy equipment and other durable assets. Between its inception in 1999 and 2016, IronPlanet sold over \$5 billion of used heavy equipment online and registered more than 1.5 million users worldwide. These complementary used equipment brand solutions, together with EquipmentOne, an online-only used equipment marketplace we launched in 2013, provide different value propositions to equipment owners and allow us to meet the needs and preferences of a wide spectrum of equipment sellers and buyers. In the past three years, we have also added a private brokerage service (Ritchie Bros. Private Treaty) and an online listing service (Mascus).

Through our unreserved auctions, online marketplaces, and private brokerage services, we sell a broad range of used and unused equipment, including earthmoving equipment, truck trailers, government surplus, oil and gas equipment and other industrial assets. Construction and heavy machinery comprise the majority of the equipment sold through our multiple brand solutions. Customers selling equipment through our sales channels include end users (such as construction companies), equipment dealers, original equipment manufacturers ("OEMs") and other equipment owners (such as rental companies). Our customers participate in a variety of sectors, including heavy construction, transportation, agriculture, energy, and mining.

We operate globally with locations in more than 20 countries, including the United States, Canada, Australia, United Arab Emirates, and the Netherlands, and employ more than 2,100 full time employees worldwide.

On May 15, 2012, we purchased AssetNation, an online marketplace and solutions provider for surplus and salvage assets based in the United States. Leveraging AssetNation's technology and e-commerce expertise, we commercially launched our online marketplace, EquipmentOne, in early 2013.

On November 4, 2015, we acquired a 75% interest in Xcira LLC ("Xcira"), a proven leader in simulcast auction technology that provides a seamless customer experience for online bidding at live on site auctions. Through this acquisition, we secured Xcira's bidding technology, which represents a significant and growing portion of all bidding conducted at our auctions.

On February 19, 2016, we acquired 100% of the equity interests in Mascus International Holding B.V. ("Mascus"). Mascus is based in Amsterdam and operates a global online listing service to advertise equipment and other assets for sale. Unlike other sales channels offered by Ritchie Bros., Mascus currently does not process transactions through its website; rather, sales facilitated through Mascus are conducted directly between the seller and buyer.

On July 12, 2016, we acquired the remaining minority interest of Ritchie Bros. Financial Services ("RBFS"), providing us with full ownership of this growing business. RBFS provides financing and leasing options to equipment purchasers, as a brokerage business, through several bank relationships. RBFS does not leverage our balance sheet for the loans it originates.

On August 1, 2016, we acquired Petrowsky Auctioneers ("Petrowsky"), a leading regional industrial auctioneer in the Northern United States. Similar to Ritchie Bros. Auctioneers, Petrowsky offers live on site and simulcast live online auctions.

On November 15, 2016, we acquired substantially all the assets of Kramer Auctions Ltd. and Kramer Auctions — Real Estate Division Inc. (together, “Kramer”), a Canadian agricultural auction company with strong customer relationships in central Canada. Operating for more than 65 years, Kramer operates in Saskatchewan, Alberta and Manitoba as a premier agricultural auctioneer, offering both on-the-farm and live on site auctions for customers selling equipment, livestock and real-estate in the agricultural sector.

On May 31, 2017, we completed the acquisition of a 100% interest in IronPlanet (the “Merger”) pursuant to the Agreement and Plan of Merger we entered into on August 29, 2016. IronPlanet operates online and event-based equipment auctions under a number of brands, which are discussed in more detail below.

Our alliance with Caterpillar Inc. (“Caterpillar”), pursuant to the Strategic Alliance and Remarketing Agreement (the “Alliance”) that we entered into on August 29, 2016, became effective upon the consummation of the Merger on May 31, 2017. As discussed in more detail below, under the Alliance, we became Caterpillar's preferred global partner for live on site and online auctions for used Caterpillar equipment.

Our Service Offering

We offer equipment sellers and buyers multiple distinct, complementary, multi-channel brand solutions that address the range of customer needs. Our global customer base has a variety of transaction options, breadth of services, and the widest selection of used equipment available to them. The channels and formats with which our customers may choose to dispose and/or buy equipment based on their individual needs are illustrated in the tables below.

Auctions and Marketplaces

Channels	Brand Solutions	Description of Offering
Live On Site Auctions		■ Live unreserved on site with live simulcast online auctions
		■ Event-based sales of used construction and heavy equipment held in the Caterpillar dealer geographies
		■ Event-based sales of used energy equipment
Online Auctions and Marketplaces		■ Online marketplace for selling and buying used equipment
		■ Online marketplace offering multiple price and timing options
		■ Online marketplace for the sale of government and military assets
		■ Online truck and trailer marketplace
Brokerage Service		■ Confidential, negotiated sales

Other Services

Channels	Brand Solutions	Description of Offering
Financial Service		<ul style="list-style-type: none"> ■ Loan origination service that uses a brokerage model to match loan applicants with appropriate financial lending institutions
Appraisal Service		<ul style="list-style-type: none"> ■ Unbiased, certified appraisal services, as well as truck and lease return inspection services
Online Listing Service		<ul style="list-style-type: none"> ■ Online equipment listing service and B2B dealer portal
Ancillary Services		<ul style="list-style-type: none"> ■ Repair, paint, and other make-ready services
Logistical Service		<ul style="list-style-type: none"> ■ End-to-end transportation and customs clearance solution for sellers and buyers with shipping needs

Overview

The following discussion and analysis summarizes significant factors affecting our consolidated operating results and financial condition for the three and nine months ended September 30, 2017 and 2016. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those expressed or implied in any forward-looking statements as a result of various factors, including those set forth in “Part II, Item 1A: Risk Factors” of this Quarterly Report on Form 10-Q and in “Part I, Item 1A: Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2016, which is available on our website at www.rbauction.com, on EDGAR at www.sec.gov, or on SEDAR at www.sedar.com.

This discussion and analysis should be read in conjunction with the “Cautionary Note Regarding Forward-Looking Statements” and the consolidated financial statements and the notes thereto included in “Part I, Item 1: Consolidated Financial Statements” of this Quarterly Report on Form 10-Q. The following discussion should also be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2016. None of the information on our website, EDGAR, or SEDAR is incorporated by reference into this document by this or any other reference.

We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles (“US GAAP”). Except for GTV – which is a measure of operational performance and not a measure of financial performance, liquidity, or revenue – the amounts discussed below are based on our consolidated financial statements and are presented in United States (“U.S.”) dollars. Unless indicated otherwise, all tabular dollar amounts, including related footnotes, presented below are expressed in thousands of dollars.

We reference various non-GAAP financial and performance measures throughout this discussion and analysis. These measures do not have a standardized meaning and are, therefore, unlikely to be comparable to similar measures presented by other companies.

Strategy Update

Our strategy is to become a more diversified, multichannel marketplace that offers a full range of asset management and disposition solutions, all on a greater scale that will provide even more choice to customers. We are executing a transformation of our business and the industry that is being driven by our technology, data, and solutions. The following discussion highlights and describes our strategic drivers, *Grow*, *Drive*, and *Optimize*, and provides a post-merger integration update within each applicable section. Our integration activities began in the latter part of the second quarter of 2017, following the closing of the Merger with IronPlanet and, overall, we are currently progressing as expected through our multi-year plan of integration activities and milestones.

GROW Revenues and Net Income

Over the last several years, we have undertaken a meaningful strategic transformation, through both organic and acquisitive growth initiatives, to broaden our service offering and the value propositions we provide to different segments of the used asset and equipment market. The Merger with IronPlanet positions us to accelerate this strategy and take positive and meaningful steps towards meeting our strategic objectives.

The Merger is a transformative transaction that is helping us expand our equipment sales platform to better serve customers globally by enabling customers with varying preferences to choose from a variety of auction formats. We believe the Merger with IronPlanet:

- Offers a superior customer experience
- Accelerates growth
- Strengthens relationships with OEMs and dealers;
 - *Caterpillar strategic alliance* – the Alliance – which is for an initial period of five years, took effect during the third quarter of 2017. Under the Alliance, we became Caterpillar's preferred global partner for live on site and online auctions for used equipment, which we expect will contribute to our growth. We will provide Caterpillar and its dealers with access to proprietary, global auction and marketplace platforms, software, and other value-added services, which enhance the exchange of information and services between customers, dealers, and suppliers. When requested, we will coordinate and manage Cat® Auctions in the respective dealer geographies.
- Builds on the power of the Ritchie Bros. existing global platform
- Enhances digital and technology capabilities

We are committed to pursuing growth initiatives that will further enhance our sector reach, drive geographic depth, meet a broader set of customer needs, and add scale to our operations. These growth initiatives include:

- Increasing customer penetration and overall market share through the network effect of our combined solution selling platform
- Expanding IronPlanet internationally
- Growing the Cat® Auctions brand, combined with the Alliance
- Increasing access and penetration of growth sectors such as government surplus and energy
- Continuing expansion of our Private Treaty capability
- Expanding our financial services business, RBFS, into other geographies and to a broader customer base accessible through brand solutions, such as IronPlanet, that we gained with the Merger

Notable integration activities that contributed to our **GROW** strategy in the quarter included:

- Expanding RBFS to the customer base accessible through the brand solutions we gained with the Merger
- Expanding the Alliance, including tools and data available as a result
- Expanding our government business in the United Kingdom
- Launching IronPlanet in Australia

DRIVE Efficiencies and Effectiveness

We are committed to driving efficiencies and effectiveness by:

- Improving sales productivity through consistent go-to-market processes
- Modernizing legacy systems
- Scaling the business and leveraging multi-channel opportunities
- Targeting operating expense growth lower than revenue growth

We continue to evaluate the returns generated at each of our permanent and regional auction sites we operate to assess whether each site and related site capital investments are generating returns that meet predetermined targets. During the first nine months of 2017, we terminated our lease in Panama and began exploring alternative future uses of our auction site land and buildings in Japan beyond a sale of the property.

The Merger impacted our auction site assessment, providing additional opportunities to optimize our auction sites. As a point of reference, in 2016, approximately 20% of IronPlanet's revenues were driven from event-based auctions. We are undertaking efforts to optimize channel strategies that could eliminate duplicative event-based auctions, enhance equipment offerings at event-based auctions, and maximize auction channels.

Notable integration activities that contributed to our **DRIVE** strategy in the quarter included:

- Completing IronPlanet and Ritchie Bros. customer integration
- Integrating IronPlanet pricing tools and SalesHub
- Launching our Activity Tracking System on our Ritchie Bros. website
- Integrating IronPlanet and Ritchie Bros.' employee performance management processes
- Completing the first phase of the technology integration – **The Sales Unification Phase**. This phase provides our teams with the ability to sell across platforms and integrate pricing and appraisal tools.
- Commencing work on the second phase of the technology integration – **The Enhanced Buyer Experience Phase**. This phase will allow customers to search and find equipment across our websites and view their transaction history through single logon identification functionality. With the functionality, our customer will have a single point of entry, enabling listing and transaction visibility across our entire marketplace. This will give our buyers a true multichannel solution and access to our combined selection of equipment. We will also combine our platform solution offerings, which will enable our sellers to manage their assets across a multichannel listing and disposition solution. Customers will also benefit from a new contract that allows them to utilize our multiple channels with a single contract.

Over time, we will also complete the third phase of the technology integration – **The Operations Optimization Phase**. This involves integrating our auction administration systems with real-time data and optimized workflow, leading to common processes and opportunities for further synergies.

OPTIMIZE our Balance Sheet

We will optimize our balance sheet by:

- Increasing cashflow from operating activities
- Targeting net capital spend at less than 10% of revenue
- Focusing on IT systems to optimize business processes and reduce costs
- Managing debt levels while returning cash via ongoing dividends

Key Metric Changes

In the third quarter of 2017, we updated our segment reporting to reflect changes in how we manage and evaluate the business operations. This change was driven by the Merger and the growth of our services that do not generate Gross Transaction Value¹ (“GTV”). Our new segmented information disclosure distinguishes between revenues and expenses generated from transactional asset disposition services, which are services that generate GTV, and those that do not generate GTV. GTV replaces the previous term of Gross Auction Proceeds (“GAP”) used by Ritchie Bros. and Gross Merchandise Volume (“GMV”) used by IronPlanet, providing a common nomenclature across all channels.

With the change in segment reporting, we updated our GTV and Revenue Rate key metrics. GTV represents the total proceeds from all items sold in conjunction with our Auctions and Marketplaces segment. We have retrospectively restated GTV to exclude GTV from our Asset Appraisal Services (“AAS”) business. GTV attributable to AAS was \$8.0 million during the third quarter of 2017 and \$3.1 million during the second quarter of 2017. In addition, effective August 1, 2017, GTV no longer includes EquipmentOne buyer premiums. Excluding AAS GTV and EquipmentOne buyer premiums has a less than 1% impact on GTV reported to date.

We also introduced a segment Revenue Rate, which is calculated as Auctions and Marketplaces segment revenue divided by GTV. When referring to the original Revenue Rate metric, which is calculated as total, consolidated revenues divided by GTV, we will use the term ‘Consolidated Revenue Rate’.

Consolidated Financial Highlights

During the quarter, we generated \$141.0 million of revenues, an increase of 9% versus the same quarter last year with \$10.3 million of net income attributable to stockholders. Diluted earnings per share (“EPS”) attributable to stockholders was \$0.09 including \$3.6 million of acquisition-related costs and \$10.6 million of interest expense, compared to a diluted loss per share attributable to stockholders of \$0.05 in the third quarter of 2016.

- GTV of \$1,019.3 million, a 2% increase compared to the third quarter of 2016
- Consolidated Revenue Rate of 13.84%, a 94-basis point increase from the third quarter of 2016
- Auctions and Marketplaces segment revenues up 8% with segment Revenue Rate up 66 basis points (“bps”) to 12.78% versus third quarter 2016
- Revenues from other services of \$10.8 million; an increase of 39% compared to the third quarter of 2016
- \$97.2 million of net cash provided by operating activities through the first nine months of 2017
- Declared quarterly dividend of \$0.17 per common share

1 GTV represents total proceeds from all items sold at our auctions and online marketplaces. GTV is not a measure of financial performance, liquidity, or revenue, and is not presented in our consolidated financial statements.

Results of Operations

Third Quarter Update

Financial overview	Three months ended September 30,			
			\$ Change	% Change
(in U.S. \$000's, except EPS)	2017	2016	2017 over 2016	2017 over 2016
Revenues	\$ 141,047	\$ 128,876	\$ 12,171	9%
Costs of services, excluding depreciation and amortization	19,583	14,750	4,833	33%
Selling, general and administrative expenses	85,335	68,293	17,042	25%
Acquisition-related costs	3,587	5,398	(1,811)	(34%)
Depreciation and amortization expenses	14,837	10,196	4,641	46%
Gain on disposal of property, plant and equipment	(42)	(570)	528	(93%)
Impairment loss	-	28,243	(28,243)	(100%)
Foreign exchange loss	816	281	535	190%
Operating income	16,931	2,285	14,646	641%
Operating income margin	12.0%	1.8%	n/a	1020 bps
Other expense	(9,966)	(105)	(9,861)	9391%
Income tax expense (recovery)	(3,358)	7,180	(10,538)	(147%)
Net income (loss) attributable to stockholders	10,261	(5,137)	15,398	300%
Diluted earnings (loss) per share attributable to stockholders	\$ 0.09	\$ (0.05)	\$ 0.14	280%
Effective tax rate	-48.2%	329.4%	n/a	-37760 bps
GTV	\$ 1,019,322	\$ 998,859	\$ 20,463	2%
Consolidated Revenue Rate	13.84%	12.90%	n/a	94 bps
Auctions and Marketplaces segment:				
Revenues	130,242	121,111	9,131	8%
Revenue Rate	12.78%	12.12%	n/a	66 bps

Consolidated results

Revenues and Consolidated Revenue Rate

Our revenues are comprised of:

- commissions earned at our auctions where we act as an agent for consignors of equipment and other assets, as well as commissions on online marketplace sales; and
- fees earned in the process of conducting auctions, including online marketplace listing and inspection fees, fees from value-added services and make-ready activities, as well as fees paid by buyers on online marketplace sales.

Revenues increased \$12.2 million, or 9%, in the third quarter of 2017 compared to the third quarter of 2016. This increase is primarily due to the performance of live on site auction activities in Europe and Australia, as well as the Merger and increases in revenues from other value-added services, including RBFS. Unaudited pro forma revenues decreased 8% from \$153.8 million in the third quarter of 2016 to \$141.0 million in the third quarter of 2017.

Consolidated Revenue Rate increased from 12.90% for the third quarter of 2016 to 13.84% for the third quarter of 2017. Approximately 66 basis points of the 94-basis point increase in Consolidated Revenue Rate is due to a higher Auctions and Marketplaces segment Revenue Rate, while the remaining 28 basis point increase in Consolidated Revenue Rate is due to a higher percentage of revenues from our non-transactional services.

The distribution of our revenues across the geographic regions in which we operate was as follows, where the geographic location of revenues corresponds to the location in which the sale occurred, or in the case of online sales, where the company earning the revenues is incorporated:

Revenue distribution	Canada	Outside of Canada	United States	Europe	Other
Three months ended September 30, 2017	24%	76%	55%	11%	10%
Three months ended September 30, 2016	28%	72%	56%	8%	8%

On a U.S. dollar basis, the proportion of revenue earned in the Europe grew in the third quarter of 2017 compared to the third quarter of 2016 primarily due to our live on site auction activities in that region and the growth of our Mascus brand. The increase in revenues from other geographic regions in the third quarter of 2017 compared to the third quarter of 2016 is primarily due to growth of our live on site auction activities in Australia.

Costs of services

Costs of services are comprised of expenses incurred in direct relation to conducting auctions (“direct expenses”), earning online marketplace revenues, and earning other fee revenues. Direct expenses include direct labour, buildings and facilities charges, and travel, advertising and promotion costs. Typically, agricultural auctions and auctions located in frontier regions are costlier than auctions held at our permanent and regional auction sites as they do not benefit from economies of scale and frequency.

Costs of services incurred to earn online marketplace revenues include inspection costs, facilities costs, and inventory management, referral, sampling, and appraisal fees. Costs of services incurred in earning other fee revenues include direct labour (including commissions on sales), software maintenance fees, and materials. Costs of services exclude depreciation and amortization (“D&A”) expenses.

Costs of services increased \$4.8 million, or 33%, in the third quarter of 2017 compared to the third quarter of 2016. This increase is primarily due to costs associated with the growth in our inspection and appraisal activities because of the Merger, as well as an increase in the number of agricultural auctions over the comparative period.

Selling, general and administrative (“SG&A”) expenses

SG&A expenses increased \$17.0 million, or 25%, in the third quarter of 2017 compared to the third quarter of 2016. This increase is primarily due to the Merger, including increased headcount, travel costs, and search engine fees associated with our online marketplace channel, as well as merit increases and higher bank fees attributable to our new credit facility.

Segment Performance

Auctions and Marketplaces reportable segment

(in U.S. \$000's)	Three months ended September 30,			
	2017	2016	\$ Change 2017 over 2016	% Change 2017 over 2016
Revenues	\$ 130,242	\$ 121,111	\$ 9,131	8%
Costs of services, excluding D&A	(18,383)	(14,493)	(3,890)	27%
SG&A expenses	(81,964)	(65,346)	(16,618)	25%
Impairment loss	-	(28,243)	28,243	(100%)
Segment profit	\$ 29,895	\$ 13,029	\$ 16,866	129%

Used equipment market update

Our Auction and Marketplace businesses are influenced by certain market forces of the used equipment market, particularly with regards to supply, age of equipment and pricing.

Supply volume

During the first nine months of 2017, we experienced used equipment market supply volume pressure, particularly in the United States and Western Canada. High levels of construction activity in the United States resulted in owners holding onto their equipment, rental business utilization reaching peak levels, and various dealers being understock and dealing with long lead times between placing orders with OEMs and production of the new equipment. Our customers are also experiencing longer lead times for new equipment production by OEMs. We believe these supply volume constraints negatively impacted GTV and the volume of underwritten commission contracts over the comparative period.

Age of equipment

With owners and dealers utilizing and/or holding onto their equipment in response to the macro-economic conditions discussed above, we saw a deterioration in the overall age of equipment coming to market relative to recent years. We observed increases in the age of equipment across all asset sectors and geographies. All other things being equal, older equipment sells for lower prices and reduces the commission-based revenue we earn.

Pricing

Overall, we saw improvement in used equipment market pricing during 2017, a continuation of the marginal improvement that we first observed during the second half of 2016. This pricing performance varied among asset sectors and geographies.

Construction assets continued to perform well during 2017, with late model equipment experiencing the most pricing improvement, representative of the tightening equipment supply in North America and increased demand for used equipment. Transportation assets rebounded slightly from 2016, with lower mileage truck tractors experiencing the most lift. Agricultural equipment experienced some pricing weakness in the United States during 2017. Some oil and gas equipment continued to experience the price improvement that we first noted in the second quarter of 2017, indicating that oil and gas equipment pricing may have bottomed in the second half of 2016.

Regionally, North America continued to be our strongest geographical region for equipment values during 2017, responding most favorably to changes in commodity pricing and the overall economic environment. Beginning in the third quarter of 2017, we are also seeing improved pricing in our European operations.

Gross Transaction Value

We use GTV to measure the performance of our Auctions and Marketplaces segment. The following table presents GTV by channel:

(in U.S. \$000's)	Three months ended September 30,					
	2017		2016		\$ Change	% Change
	Total GTV	% of total	Total GTV	% of total		
Live on site auctions	\$ 834,388	82%	\$ 956,723	96%	\$ (122,335)	(13%)
Online auctions and marketplaces	184,934	18%	42,136	4%	142,798	339%
GTV	\$ 1,019,322	100%	\$ 998,859	100%	\$ 20,463	2%

GTV increased \$20.5 million, or 2%, in the third quarter of 2017 compared to the third quarter of 2016. The increase in GTV is primarily due to the Merger and the resulting increase in online marketplace GTV, as well as a positive impact of foreign exchange rates over the comparative period. Approximately 82% of third quarter 2017 GTV was generated from live on site auctions and 18% from online marketplaces, compared to 96% and 4% respectively for the third quarter of 2016.

Our live on site auction GTV declined primarily due to a decrease in the number of industrial and agricultural auction lots in the third quarter of 2017 compared to the third quarter of 2016. The total number of lots decreased 7% to 92,000 in the third quarter of 2017 from 98,500 in the third quarter of 2016. We believe the decrease in number of lots was primarily driven by constrained supply on used equipment, as well as some lower sales productivity as we complete the integration of our sales teams post-Merger. The decrease in lots was partially offset by a 9% increase in industrial and agricultural auction GTV per lot from \$9,700 per lot in the third quarter of 2016 to \$10,600 per lot in the third quarter of 2017.

During the third quarter of 2017, we continued to actively pursue the use of underwritten commission contracts from a strategic perspective, and when the opportunity arose, only entered such contracts when the risk/reward profile of the terms were agreeable. The volume of underwritten commission contracts decreased to 18% of our GTV in the third quarter of 2017 from 27% in the third quarter of 2016, primarily due to the pressure on used equipment market supply volume. The tight supply of used equipment, coupled with improved pricing, resulted in less seller interest in underwritten commission contracts. Straight commission contracts continue to account for the majority of our GTV.

Revenue and segment Revenue Rate

As this segment revenue is generated from transactional asset disposition services, we believe that these revenues are best understood by considering their relationship to GTV. Therefore, in the third quarter of 2017 we introduced the metric Auctions and Marketplaces segment Revenue Rate, which is calculated as segment revenue divided by GTV.

Segment revenues by geographical region and segment Revenue Rate are presented below:

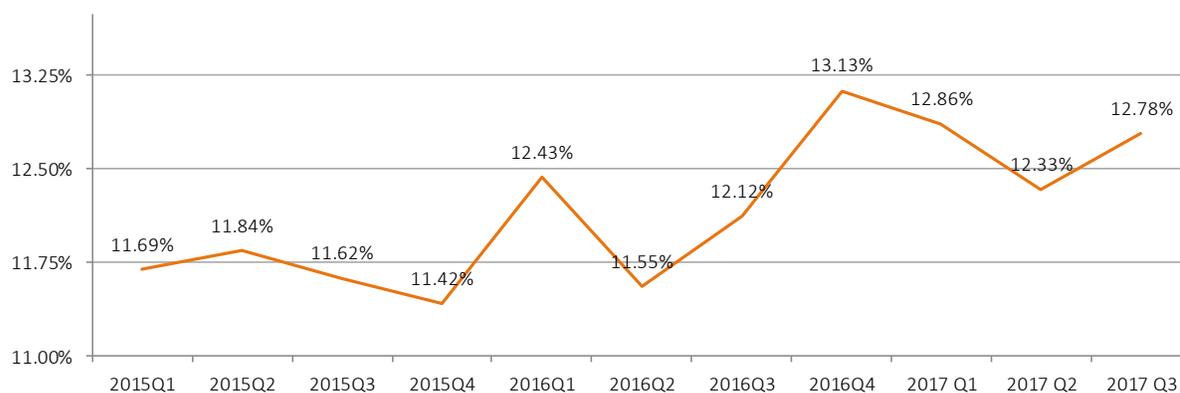
(in U.S. \$000's)	Three months ended September 30,					
	2017		2016		\$ Change	% Change
	Total	Revenue Rate	Total	Revenue Rate		
United States	\$ 74,097	12.78%	\$ 69,938	12.12%	\$ 4,159	6%
Canada	29,367		32,320		(2,953)	(9%)
International	26,778		18,853		7,925	42%
Segment revenues	\$ 130,242		\$ 121,111		\$ 9,131	8%
GTV	\$ 1,019,322		\$ 998,859		\$ 20,463	2%
Segment Revenue Rate	12.78%		12.12%		n/a	66 bps

Changes in segment revenues in the third quarter of 2017 compared to the third quarter of 2016 were primarily due to:

- United States – 6% increase primarily due to the Merger, partially offset by the decrease in GTV in that region, which was primarily driven by constrained supply on used equipment, as well as some lower sales productivity as we complete the integration of our sales teams post-Merger.
- Canada – 9% decrease primarily due to decreases in GTV in that region, which were primarily driven by continued pressure on used equipment market supply volume, and most significantly in Western Canada where we continued to see fewer disposals of oil and gas assets as a result of commodity price improvements.
- International – 42% increase primarily due to live on site auction activities in Europe and Australia, as well as the Merger.

Segment Revenue Rate grew from 12.12% in the third quarter of 2016 to 12.78% in the third quarter of 2017, primarily due to the Merger, which resulted in higher buyer transaction and listing fees from our online marketplace channel. Our historical segment Revenue Rates are presented in the graph below:

Auctions and Marketplaces Segment Revenue Rate History



Costs of services

Segment costs of services by nature and as a percentage of GTV are presented below:

(in U.S. \$000's)	Three months ended September 30,			
	2017	2016	\$ Change 2017 over 2016	% Change 2017 over 2016
Employee compensation	\$ 9,296	\$ 6,517	\$ 2,779	43%
Buildings, facilities and technology	1,669	1,511	158	10%
Travel, advertising and promotion	5,323	4,991	332	7%
Other costs of services	2,095	1,474	621	42%
Segment cost of services	\$ 18,383	\$ 14,493	\$ 3,890	27%
GTV	\$ 1,019,322	\$ 998,859	\$ 20,463	2%
Segment costs of services as a percentage of GTV	1.80%	1.45%	n/a	35 bps

Segment costs of services increased 27% in the third quarter of 2017 compared to the third quarter of 2016 primarily due to the Merger, which drove the increase in our online marketplace GTV and revenues.

The increase in online marketplace revenue resulted in an increase in the costs incurred to earn those revenues, which were primarily related to inspection activities. Other costs of services include storage and shipping costs, primarily associated with costs to move equipment off government facilities as part of our GovPlanet channel activities.

The increase in segment costs of services was also due to an increase in the number of live on site agricultural auctions held during the third quarter of 2017 compared to the third quarter of 2016. We held 28 unreserved agricultural auctions in the third quarter of 2017, compared to 20 in the third quarter of 2016.

SG&A expenses

Segment SG&A expenses by nature are presented below:

(in U.S. \$000's)	Three months ended September 30,			
	2017	2016	\$ Change 2017 over 2016	% Change 2017 over 2016
Employee compensation	\$ 53,218	\$ 40,272	\$ 12,946	32%
Buildings, facilities and technology	13,070	12,102	968	8%
Travel, advertising and promotion	8,106	6,039	2,067	34%
Professional fees	3,171	3,484	(313)	(9%)
Other SG&A expenses	4,399	3,449	950	28%
Segment SG&A expenses	\$ 81,964	\$ 65,346	\$ 16,618	25%

Our segment SG&A expenses increased \$16.6 million, or 25%, in the third quarter of 2017 compared to the third quarter of 2016. The increase is primarily due to the Merger, including increased headcount, travel costs, and search engine fees associated with our online marketplace channel, as well as merit increases and higher bank fees attributable to our new credit facility.

Impairment loss

There was no impairment in the third quarter of 2017. Comparatively, we recognized an impairment loss of \$28.2 million on our EquipmentOne goodwill and customer relationships in the third quarter of 2016.

Other services

Our operating segments, RBFS and Mascus, as well as our other non-transactional services, AAS, equipment refurbishing, and Ritchie Bros. Logistical Services ("RBLs"), are reported in the 'other' category for segmented information disclosure purposes.

(in U.S. \$000's)	Three months ended September 30,			
	2017	2016	\$ Change 2017 over 2016	% Change 2017 over 2016
Revenues	\$ 10,805	\$ 7,765	\$ 3,040	39%
Costs of services, excluding D&A	(1,200)	(257)	(943)	367%
SG&A expenses	(3,371)	(2,947)	(424)	14%
Other category profit	\$ 6,234	\$ 4,561	\$ 1,673	37%

Revenue from other services grew \$3.0 million, or 39%, in the third quarter of 2017 compared to the third quarter of 2016, primarily due to the Merger, which added \$1.4 million of AAS revenue in the third quarter of 2017, RBFS, and a 19% increase in Mascus segment revenue from \$2.0 million to \$2.4 million over the comparative period.

RBFS operating segment

Funded volume, which represents the amount of lending brokered by RBFS, increased 15% from \$56.3 million in the third quarter of 2016 to \$65.0 million in the third quarter of 2017. RBFS segment revenues were \$3.4 million in the third quarter of 2017, a 20% increase compared to the \$2.9 million in the third quarter of 2016. RBFS segment profit increased 9% over the same comparative period to \$1.7 million from \$1.5 million.

Consolidated results (continued)

Acquisition-related costs

Acquisition-related costs consist of operating expenses directly incurred as part of a business combination, due diligence and integration planning – including those related to the Merger – and continuing employment costs that are recognized separately from our business combinations. Business combination, due diligence, and integration operating expenses include advisory, legal, accounting, valuation, and other professional or consulting fees, and travel and securities filing fees.

Third quarter 2017 and 2016 acquisition-related costs were \$3.6 million and \$5.4 million, respectively, and consisted primarily of costs associated with the Merger of \$2.7 million and \$4.5 million, respectively.

Foreign exchange loss

We recognized \$0.8 million of transactional foreign exchange losses in the third quarter of 2017, compared to \$0.3 million in the third quarter of 2016. Foreign exchange losses and gains are primarily the result of settlement of non-functional currency-denominated monetary assets and liabilities.

Operating income

Operating income increased \$14.6 million, or 641%, to \$16.9 million in the third quarter of 2017 compared to \$2.3 million the third quarter of 2016. This improvement was primarily due to the third quarter 2016 impairment loss and higher third quarter 2017 revenues, partially offset by higher third quarter 2017 SG&A expenses, costs of services, and D&A expenses. Adjusted operating income² (non-GAAP measure) decreased 45% to \$16.9 million for the third quarter of 2017 compared to \$30.5 million for the third quarter of 2016.

Foreign exchange rates did not have a significant impact on operating income in the third quarter of 2017.

Primarily for the same reasons noted above, operating income margin, which is our operating income divided by revenues, increased 1020 bps to 12.0% in the third quarter of 2017 compared to 1.8% in the third quarter of 2016. Adjusted operating income margin³ (non-GAAP measure) decreased 1170 bps to 12.0% in the third quarter of 2017 from 23.7% in the third quarter of 2016.

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- 2 Adjusted operating income is a non-GAAP measure. We use income statement and balance sheet performance scorecards to align our operations with our strategic priorities. We concentrate on a limited number of metrics to ensure focus and to facilitate quarterly performance discussions. Our income statement scorecard includes the performance metric, adjusted operating income. We believe that comparing adjusted operating income for different financial periods provides useful information about the growth or decline of operating income for the relevant financial period. We calculate adjusted operating income by eliminating from operating income the pre-tax effects of significant non-recurring items that we do not consider to be part of our normal operating results, such as acquisition-related costs, management reorganization costs, severance, retention, gains/losses on sale of certain property, plant and equipment, impairment losses, and certain other items, which we refer to as 'adjusting items'. Adjusted operating income is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under "Non-GAAP Measures" below.
 - 3 Our income statement scorecard includes the performance metric, adjusted operating income margin, which is a non-GAAP measure. We believe that comparing adjusted operating income margin for different financial periods provides useful information about the growth or decline of our operating income for the relevant financial period. We calculate adjusted operating income margin by dividing adjusted operating income (non-GAAP measure) by revenues. Adjusted operating income margin is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under "Non-GAAP Measures" below.

Other income (expense)

Other income (expense) is comprised of the following:

(in U.S. \$000's)	Three months ended September 30,			
			\$ Change	% Change
	2017	2016	2017 over 2016	2017 over 2016
Interest income	\$ 517	\$ 369	\$ 148	40%
Interest expense	(10,558)	(934)	(9,624)	1030%
Equity income (loss)	(109)	213	(322)	(151%)
Other, net	184	247	(63)	(26%)
Other income (expense)	\$ (9,966)	\$ (105)	\$ (9,861)	9391%

We incurred additional indebtedness to finance the Merger. As of September 30, 2017, our total debt was \$826.5 million, compared to \$140.6 million as of September 30, 2016. The increase in interest expense is primarily due to our higher debt balances, as well as minimal increases in short-term interest rates.

Income tax expense and effective tax rate

At the end of each interim period, we make our best estimate of the effective tax rate expected to be applicable for the full fiscal year. The estimate reflects, among other items, our best estimate of operating results, including the jurisdiction in which income is earned. It does not include the estimated impact of foreign exchange rates or unusual and/or infrequent items, which may cause significant variations in the customary relationship between income tax expense and income before income taxes.

During the third quarter of 2017, we recorded \$3.4 million of income tax recovery, compared to a \$7.2 million income tax expense in the third quarter of 2016. Our effective tax rate was -48.2% in the third quarter of 2017 compared to 329.4% in the third quarter of 2016. The change from third quarter 2016 income tax expense to third quarter 2017 income tax recovery was primarily due to the lower estimated annual effective tax rate for the full 2017 year, which was caused by a greater proportion of earnings taxed in jurisdictions with lower tax rates, as well as the impact of revised estimates of the tax deductibility of stock option compensation expenses and acquisition-related costs. Also, the comparative period reflected the impact of a non-deductible goodwill impairment loss recorded in the third quarter of 2016.

Net income

Net income attributable to stockholders increased \$15.4 million in the third quarter of 2017 compared to the third quarter of 2016. This improvement is primarily due to the increase in operating income and decrease in income tax expense, partially offset by the increase in interest expense over the same comparative period. Adjusted net income attributable to stockholders⁴ (non-GAAP measure) decreased 52% to \$10.3 million in the third quarter of 2017 compared to \$21.3 million in the third quarter of 2016.

4 Adjusted net income attributable to stockholders is a non-GAAP financial measure. We believe that comparing adjusted net income attributable to stockholders for different financial periods provides useful information about the growth or decline of our net income attributable to stockholders for the relevant financial period, and eliminates the financial impact of adjusting items we do not consider to be part of our normal operating results. Adjusted net income attributable to stockholders represents net income attributable to stockholders excluding the effects of adjusting items and is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under "Non-GAAP Measures" below.

Primarily for the same reasons noted above, net income increased \$15.3 million, or 306%, in the third quarter of 2017 compared to the third quarter of 2016. Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”)⁵ (non-GAAP measure) decreased 23% to \$31.8 million in the third quarter of 2017 compared to \$41.2 million in the third quarter of 2016.

Primarily for the same reasons noted above, net income margin, which is our net income divided by our revenues, increased 1120 bps to 7.3% in the third quarter of 2017 from -3.9% in the third quarter of 2016. Adjusted EBITDA margin⁶ (non-GAAP measure) decreased 940 bps to 22.6% in the third quarter of 2017 from 32.0% in the third quarter of 2016.

Diluted EPS

Diluted EPS attributable to stockholders increased to \$0.09 in the third quarter of 2017 from a diluted loss per share attributable to stockholders of \$0.05 in the third quarter of 2016. This increase is primarily due to the increase in net income attributable to stockholders, partially offset by an increase in the weighted average number of dilutive shares outstanding over the same comparative period. Diluted adjusted EPS attributable to stockholders⁷ (non-GAAP measure) decreased 55% to \$0.09 in the third quarter of 2017 from \$0.20 in the third quarter of 2016.

5 Adjusted EBITDA is a non-GAAP financial measure that we believe provides useful information about the growth or decline of our net income when compared between different financial periods. Adjusted EBITDA was also an element of the performance criteria for certain performance share units that we granted our employees and officers in 2013 and 2014. Adjusted EBITDA is calculated by adding back depreciation and amortization expenses, interest expense, and current income tax expense, and subtracting interest income and deferred income tax recovery from net income excluding the pre-tax effects of adjusting items. Adjusted EBITDA is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under “Non-GAAP Measures” below.

6 Adjusted EBITDA margin is a non-GAAP financial measure that we believe provides useful information about the growth or decline of our net income when compared between different financial periods. Adjusted EBITDA margin presents adjusted EBITDA (non-GAAP measure) as a multiple of revenues. Adjusted EBITDA margin is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under “Non-GAAP Measures” below.

7 Diluted adjusted EPS attributable to stockholders is a non-GAAP financial measure. We believe that comparing diluted adjusted EPS attributable to stockholders for different financial periods provides useful information about the growth or decline of our diluted EPS attributable to stockholders for the relevant financial period, and eliminates the financial impact of adjusting items we do not consider to be part of our normal operating results. Diluted adjusted EPS attributable to stockholders is calculated by dividing adjusted net income attributable to stockholders (non-GAAP measure) (described in footnote 4), net of the effect of dilutive securities, by the weighted average number of dilutive shares outstanding. Diluted adjusted EPS attributable to stockholders is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under “Non-GAAP Measures” below.

Year-to-Date Performance

Financial overview	Nine months ended September 30,			
	2017	2016	\$ Change 2017 over 2016	Change 2017 over 2016
(in U.S. \$000's, except EPS)				
Revenues	\$ 431,732	\$ 419,626	\$ 12,106	3%
Costs of services, excluding depreciation and amortization	53,987	49,821	4,166	8%
Selling, general and administrative expenses	230,287	209,395	20,892	10%
Acquisition-related costs	35,162	7,198	27,964	388%
Depreciation and amortization expenses	37,047	30,560	6,487	21%
Gain on disposal of property, plant and equipment	(1,071)	(1,017)	(54)	5%
Impairment loss	8,911	28,243	(19,332)	(68%)
Foreign exchange loss (gain)	(7)	332	(339)	(102%)
Operating income	67,416	95,094	(27,678)	(29%)
Operating income margin	15.6%	22.7%	n/a	-710 bps
Other income (expense)	(20,965)	420	(21,385)	(5092%)
Income tax expense	7,982	29,929	(21,947)	(73%)
Net income attributable to stockholders	38,273	63,979	(25,706)	(40%)
Diluted EPS attributable to stockholders	\$ 0.35	\$ 0.60	\$ (0.25)	(42%)
Effective tax rate	17.2%	31.3%	n/a	-1410 bps
GTV	\$ 3,173,050	\$ 3,294,463	\$ (121,413)	(4%)
Consolidated Revenue Rate	13.61%	12.74%	n/a	87 bps
Auctions and Marketplaces segment:				
Revenues	400,565	395,228	5,337	1%
Revenue Rate	12.62%	12.00%	n/a	62 bps

Consolidated results

Revenues and Consolidated Revenue Rate

Revenues increased \$12.1 million, or 3%, in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. This increase is primarily due to the Merger, which closed on May 31, 2017, and increases in revenues from other value-added services, including RBFS, partially offset by the impact of lower GTV. Unaudited pro forma revenues decreased 4% from \$503.7 million in the first nine months of 2016 to \$481.1 million in the first nine months of 2017.

Consolidated Revenue Rate increased from 12.74% for the nine months ended September 30, 2016 to 13.61% for the nine months ended September 30, 2017. Approximately 62 bps of the 87-basis point increase in Consolidated Revenue Rate is due to a higher Auctions and Marketplaces segment Revenue Rate, while the remaining 25-basis point increase in Consolidated Revenue Rate is due a higher percentage of revenues from our non-transactional services.

The distribution of our revenues across the geographic regions in which we operate was as follows, where the geographic location of revenues corresponds to the location in which the sale occurred, or in the case of online sales, where the company earning the revenues is incorporated:

Revenue distribution	Canada	Outside of Canada	United States	Europe	Other
Nine months ended September 30, 2017	28%	72%	53%	11%	8%
Nine months ended September 30, 2016	31%	69%	51%	9%	9%

On a U.S. dollar basis, the proportion of revenue earned in the United States and Europe grew for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. Growth in the United States over the comparative period is primarily due to the Merger. Growth in Europe is primarily due to our live on site auction activities in that region and the growth of our Mascus brand. The increase in revenues from other geographic regions in the first nine months of 2017 compared to the first nine months of 2016 is primarily due to growth of our live on site auction activities in the United Arab Emirates.

Costs of services

Costs of services increased \$4.2 million, or 8%, for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. This increase is primarily due to costs associated with the growth in our inspection and appraisal activities because of the Merger.

SG&A expenses

SG&A expenses increased \$20.9 million, or 10%, for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. This increase is primarily due to post-Merger increased headcount, travel costs, and search engine fees associated with our online marketplace channel, as well as merit increases and higher bank fees attributable to our new credit facility.

Segment Performance

Auctions and Marketplaces reportable segment

(in U.S. \$000's)	Nine months ended September 30,			
	2017	2016	\$ Change 2017 over 2016	% Change 2017 over 2016
Revenues	\$ 400,565	\$ 395,228	\$ 5,337	1%
Costs of services, excluding D&A	(51,948)	(49,213)	(2,735)	6%
SG&A expenses	(220,555)	(200,967)	(19,588)	10%
Impairment loss	(8,911)	(28,243)	19,332	(68%)
Segment profit	\$ 119,151	\$ 116,805	\$ 2,346	2%

Gross Transaction Value

We use GTV to measure the performance of our Auctions and Marketplaces segment. The following table presents GTV by channel:

(in U.S. \$000's)	Nine months ended September 30,					
	2017		2016		\$ Change	% Change
	Total GTV	% of total	Total GTV	% of total	2017 over 2016	2017 over 2016
Live on site auctions	\$ 2,817,387	89%	\$ 3,187,014	97%	\$ (369,627)	(12%)
Online auctions and marketplaces	355,663	11%	107,449	3%	248,214	231%
GTV	\$ 3,173,050	100%	\$ 3,294,463	100%	\$ (121,413)	(4%)

GTV decreased \$121.4 million, or 4%, in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. The decrease in GTV is primarily due to the performance of our live on site auction channel in the first nine months of 2017 compared to the first nine months of 2016, partially offset by the Merger and the resulting increase in our online marketplace sales, as well as a positive impact of foreign exchange rates over the comparative period.

The live on site auction channel GTV decrease is primarily due to a decrease in the number of industrial and agricultural auction lots and changes in our auction calendar in the nine months ended September 30, 2017 compared to the same period in 2016. The total number of lots decreased 5% to 306,900 in the first nine months of 2017 from 321,400 in the first nine months of 2016. We believe the decrease in number of lots was primarily driven by constrained supply of used equipment, as well as some lower sales productivity as we complete the integration of our sales teams post-Merger. Industrial and agricultural auction GTV per lot remained consistent at \$9,900 in the first nine months of 2017 and 2016.

With respect to auction calendar changes, we held the largest-ever auction in Grande Prairie, Canada, in March 2016, which generated more than \$46.0 million (62.0 million Canadian dollars) of GTV, with no similar auction on the calendar in the first nine months of 2017.

During 2017, we continued to actively pursue the use of underwritten commission contracts from a strategic perspective, and when the opportunity arose, only entered such contracts when the risk/reward profile of the terms were agreeable. The volume of underwritten commission contracts decreased to 16% of our GTV in the first nine months of 2017 from 25% in the first nine months of 2016, primarily due to the pressure on used equipment market supply volume. The tight supply of used equipment, coupled with improved pricing, resulted in less seller interest in underwritten commission contracts. Straight commission contracts continue to account for the majority of our GTV.

Revenue and segment Revenue Rate

Segment revenues by geographical region and segment Revenue Rate are presented below:

(in U.S. \$000's)	Nine months ended September 30,					
	2017		2016		\$ Change	% Change
	Total	Revenue Rate	Total	Revenue Rate	2017 over 2016	2017 over 2016
United States	\$ 220,375		\$ 208,677		\$ 11,698	6%
Canada	107,756		120,351		(12,595)	(10%)
International	72,434		66,200		6,234	9%
Segment revenues	\$ 400,565		\$ 395,228		\$ 5,337	1%
GTV	\$ 3,173,050		\$ 3,294,463		\$ (121,413)	(4%)
Segment Revenue Rate	12.62%		12.00%		n/a	62 bps

Changes in segment revenues in the first nine months of 2017 compared to the first nine months of 2016 were primarily due to:

- United States – 6% increase primarily due to the Merger, partially offset by the effect of constrained supply on used equipment in that region, as well as some lower sales productivity as we complete the integration of our sales teams post-Merger.
- Canada – 10% decrease primarily driven by the aforementioned auction calendar changes, as well as continued pressure on used equipment market supply volume, and most significantly in Western Canada where we continued to see fewer disposals of oil and gas assets as a result of commodity price improvements.
- International – 9% increase primarily due to live on site auction activities in Europe and the United Arab Emirates, as well as the Merger and the growth of our Mascus brand.

Segment Revenue Rate grew from 12.00% in the first nine months of 2016 to 12.62% in the first nine months of 2017, primarily due to the Merger, which resulted in higher buyer transaction and listing fees from our online marketplace channel and improved performance on underwritten transactions. The impact of the improved Revenue Rate was partially offset by the impact of lower GTV.

Costs of services

Segment costs of services by nature and as a percentage of GTV are presented below:

(in U.S. \$000's)	Nine months ended September 30,			
	2017	2016	\$ Change 2017 over 2016	% Change 2017 over 2016
Employee compensation	\$ 23,204	\$ 21,568	\$ 1,636	8%
Buildings, facilities and technology	5,225	5,571	(346)	(6%)
Travel, advertising and promotion	17,349	18,287	(938)	(5%)
Other costs of services	6,170	3,787	2,383	63%
Segment cost of services	\$ 51,948	\$ 49,213	\$ 2,735	6%
GTV	\$ 3,173,050	\$ 3,294,463	\$ (121,413)	(4%)
Segment costs of services as a percentage of GTV	1.64%	1.49%	n/a	15 bps

Segment costs of services increased 6% in the first nine months of 2017 compared to the first nine months of 2016 primarily due to the Merger, which drove the increase in our online marketplace GTV and revenues. The increase in online marketplace revenue resulted in an increase in the costs incurred to earn those revenues, which were primarily related to inspection activities. Other costs of services include storage and shipping costs, primarily associated with costs to move equipment off government facilities as part of our GovPlanet channel activities.

The increase in segment costs of services was also due to an increase in the number of live on site agricultural auctions held during the first nine months of 2017 compared to the first nine months of 2016. We held 135 unreserved agricultural auctions in the first nine months of 2017, compared to 105 in the first nine months of 2016.

SG&A expenses

Segment SG&A expenses by nature are presented below:

(in U.S. \$000's)	Nine months ended September 30,			
			\$ Change	% Change
	2017	2016	2017 over 2016	2017 over 2016
Employee compensation	\$ 140,654	\$ 127,508	\$ 13,146	10%
Buildings, facilities and technology	37,879	35,608	2,271	6%
Travel, advertising and promotion	20,227	17,813	2,414	14%
Professional fees	9,181	9,072	109	1%
Other SG&A expenses	12,614	10,966	1,648	15%
Segment SG&A expenses	\$ 220,555	\$ 200,967	\$ 19,588	10%

Our segment SG&A expenses increased \$19.6 million, or 10%, in the first nine months of 2017 compared to the first nine months of 2016. The increase is primarily due to the Merger, including increased headcount, travel costs, and search engine fees associated with our online marketplace channel, as well as merit increases and higher bank fees attributable to our new credit facility.

Impairment loss

During the first nine months of 2017, we recognized an impairment loss of \$8.9 million on certain technology assets. Comparatively, we recognized an impairment loss of \$28.2 million on our EquipmentOne goodwill and customer relationships in the first nine months of 2016.

Other services

Our operating segments RBFS and Mascus, as well as our other non-transactional services, AAS, equipment refurbishing, and RBLS, are reported in the 'other' category for segmented information disclosure purposes.

(in U.S. \$000's)	Nine months ended September 30,			
			\$ Change	% Change
	2017	2016	2017 over 2016	2017 over 2016
Revenues	\$ 31,167	\$ 24,398	\$ 6,769	28%
Costs of services, excluding D&A	(2,039)	(608)	(1,431)	235%
SG&A expenses	(9,732)	(8,428)	(1,304)	15%
Other category profit	\$ 19,396	\$ 15,362	\$ 4,034	26%

Revenue from other services grew \$4.0 million, or 26%, in the first nine months of 2017 compared to the first nine months of 2016, primarily due to RBFS, the Merger, which added \$1.9 million of AAS revenue in the first nine months of 2017, and a 29% increase in Mascus segment revenue from \$5.3 million to \$6.9 million over the comparative period.

RBFS operating segment

Funded volume, which represents the amount of lending brokered by RBFS, increased 13% from \$191.6 million in the first nine months of 2016 to \$216.2 million in the first nine months of 2017. RBFS segment revenues were \$11.5 million in the first nine months of 2017, a 29% increase compared to the \$8.9 million in the first nine months of 2016. RBFS segment operating profit increased 31% over the same comparative period to \$6.4 million from \$4.9 million.

Consolidated results (continued)

Acquisition-related costs

Acquisition-related costs for the first nine months of 2017 totalled \$35.2 million and consisted primarily of \$32.6 million associated with the Merger. IronPlanet acquisition-related costs for the first nine months of 2017 included \$9.1 million of non-recurring acquisition and finance structure advisory fees, \$8.8 million of legal fees related to the regulatory approval process and closing of the transaction, \$4.8 million of stock option compensation expenses resulting from accelerated vesting of options assumed as part of the Merger, \$1.4 million of severance and retention costs that followed the Merger in the resulting corporate reorganization, and various integration costs.

This compares to \$7.2 million of acquisition related expenses for the first nine months of 2016, which includes costs associated with the IronPlanet, Mascus, Xcira, and Petrowsky acquisitions.

Operating income

Operating income decreased \$27.7 million, or 29%, to \$67.4 million in the first nine months of 2017 compared to the first nine months of 2016. This decrease was primarily due to the higher acquisition-related costs, SG&A expenses, D&A expenses, and costs of services. These increases were partially offset by a lower impairment loss and higher revenues than the comparable period. Adjusted operating income (non-GAAP measure) decreased \$31.7 million, or 26%, to \$91.6 million in the first nine months of 2017 compared to \$123.3 million in the first nine months of 2016.

Foreign exchange rates had a minimal impact on operating income in the first nine months of 2017.

Primarily for the same reasons noted above, operating income margin, which is our operating income divided by revenues, decreased 710 bps to 15.6% in the first nine months of 2017 compared to 22.7% in the first nine months of 2016. Adjusted operating income margin (non-GAAP measure) decreased 820 bps to 21.2% in the first nine months of 2017 from 29.4% in the first nine months of 2016.

Other income (expense)

Other income (expense) is comprised of the following:

(in U.S. \$000's)	Nine months ended September 30,				
			\$ Change		% Change
	2017	2016	2017 over 2016		2017 over 2016
Interest income	\$ 2,459	\$ 1,354	\$ 1,105		82%
Interest expense	(27,311)	(3,357)	(23,954)		714%
Equity income (loss)	(158)	1,209	(1,367)		(113%)
Other, net	4,045	1,214	2,831		233%
Other income (expense)	\$ (20,965)	\$ 420	\$ (21,385)		(5092%)

We incurred additional indebtedness to finance the Merger. As of September 30, 2017, our debt was \$826.5 million, compared to \$140.6 million as of September 31, 2016. The increase in interest expense is primarily due to our higher debt balances, as well as minimal increases in short-term interest rates.

\$2.5 million of the increase in 'other, net' in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 is due to changes in the fair value of contingent consideration associated with our Petrowsky, Kramer, and Mascus, as well as our acquisition of the non-controlling interests in RBFS.

Income tax expense and effective tax rate

We recorded an income tax expense of \$8.0 million in the first nine months of 2017 compared to \$29.9 million in the first nine months of 2016. Our effective tax rate was 17.2% in the first nine months of 2017 compared to 31.3% in the first nine months of 2016. The decrease in income tax expense over the comparative period was primarily the result of the lower estimated annual effective tax rate for the full 2017 year, which was caused by a greater proportion of earnings taxed in jurisdictions with lower tax rates, as well as the impact of revised estimates of the tax deductibility of stock option compensation expenses and acquisition-related costs. This decrease was partially offset by \$2.3 million of expense related to an increase in uncertain tax positions. We increased our uncertain tax position in the first quarter of 2017 due to an unfavourable outcome of a tax dispute in one of our European operating jurisdictions. Income tax expense for the first nine months of 2016 also reflected the impact of a non-deductible goodwill impairment loss recorded in the third quarter of 2016.

Net income

Net income attributable to stockholders decreased \$25.7 million, or 40%, in the first nine months of 2017 compared to the first nine months of 2016. This decrease was primarily due to the decrease in operating income and increase in interest expense, partially offset by a lower income tax expense over the same comparative period. Adjusted net income attributable to stockholders (non-GAAP measure) decreased 34% to \$59.4 million in the first nine months of 2017 from \$90.4 million in the first nine months of 2016.

For these same reasons, net income decreased \$27.1 million, or 41%, in the first nine months of 2017 compared to the first nine months of 2016. Adjusted EBITDA (non-GAAP measure) decreased 15% to \$132.5 million, in the first nine months of 2017 from \$156.3 million in the first nine months of 2016.

Primarily for the same reasons noted above, net income margin decreased 670 bps to 8.9% in the first nine months of 2017 from 15.6% in the first nine months of 2016. Adjusted EBITDA margin (non-GAAP measure) decreased 660 bps to 30.7% in the first nine months of 2017 from 37.3% in the first nine months of 2016.

Debt at September 30, 2017 represented 12.4 times net income for the 12 months ended September 30, 2017. This compares to debt at September 30, 2016, which represented 1.2 times net income for the 12 months ended September 30, 2016. The increase in this debt/net income multiplier is primarily due to a net increase in long-term debt from September 30, 2016 to September 30, 2017, combined with a decrease in net income for the 12 months ended September 30, 2017 compared to the 12 months ended September 30, 2016, as discussed above. The increase in debt is primarily due to funding for the Merger. Adjusted net debt/adjusted EBITDA⁸ (non-GAAP measure) was 3.2 as at and for the 12 months ended September 30, 2017, compared to -0.4 as at and for the 12 months ended September 30, 2016.

8 Adjusted net debt/adjusted EBITDA is a non-GAAP financial measure. We believe that comparing adjusted net debt/adjusted EBITDA on a trailing 12-month basis for different financial periods provides useful information about the performance of our operations as an indicator of the amount of time it would take us to settle both our short and long-term debt. We do not consider this to be a measure of our liquidity, which is our ability to settle only short-term obligations, but rather a measure of how well we fund liquidity. Measures of liquidity are discussed further below under "liquidity and capital resources". We calculate adjusted net debt/adjusted EBITDA by dividing adjusted net debt (non-GAAP measure) by adjusted EBITDA (non-GAAP measure). Adjusted net debt (non-GAAP measure) is calculated by subtracting cash and cash equivalents and long-term debt held in escrow from debt. Adjusted net debt/adjusted EBITDA is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under "Non-GAAP Measures" below. In prior periods, we calculated this metric as adjusted debt (non-GAAP measure) divided by adjusted EBITDA (non-GAAP measure) and called it 'adjusted debt/adjusted EBITDA (non-GAAP measure)'. In the second quarter of 2017, we changed the title, definition, and calculation of this non-GAAP measure to more closely align with our Evergreen Model performance metric, which reduces debt for cash and cash equivalents. The change has been applied retrospectively.

Diluted EPS

Diluted EPS attributable to stockholders decreased 42% to \$0.35 in the first nine months of 2017 from \$0.60 in the first nine months of 2016. This decrease is primarily due to the decrease in net income attributable to stockholders, combined with an increase in the weighted average number of dilutive shares outstanding over the same comparative period. The increase in the weighted average number of dilutive shares is primarily due to the modification of certain share units from liability-classified to equity-classified in May 2016 and May 2017, as well as the assumption of IronPlanet stock options as part of the Merger. The performance share units awarded to Ravichandra Saligram, our Chief Executive Officer, in 2014 (the "CEO SOG PSUs") as part of a grant agreement dated August 11, 2014 between the Company and Mr. Saligram (the "Sign-On Grant Agreement"), were modified on May 1, 2017 from liability-classified to equity-classified. Diluted adjusted EPS attributable to stockholders (non-GAAP measure) decreased 35% to \$0.55 share in the first nine months of 2017 from \$0.84 in the first nine months of 2016.

Operations Update

Headcount

Our headcount statistics, which include IronPlanet and exclude Xcira and Mascus employees, are presented below as at the end of each period:

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Total full-time employees	2,124	2,114	1,659	1,649	1,641	1,600	1,559	1,522
Regional Sales Managers	62	62	52	51	50	45	49	46
Territory Managers	372	379	301	301	304	304	296	296
Revenue Producers	434	441	353	352	354	349	345	342

Total headcount (excluding Xcira and Mascus employees) increased by net 475 between December 31, 2016 and September 30, 2017, which included net 20 from RBFS to support the growth of that business. RBFS account managers are excluded from our definition of Revenue Producers. Xcira had a total headcount of 56 full time employees at September 30, 2017, which has increased by net four since December 31, 2016. Mascus had a total headcount of 49 at September 30, 2017 and December 31, 2016.

Productivity

The majority of our business continues to be generated by our Auctions and Marketplaces segment operations. Sales Force Productivity within this segment is an operational statistic that we believe provides a gauge of the effectiveness of our Revenue Producers in increasing our GTV and, ultimately, our net income. Historically, we measured Sales Force Productivity as trailing 12-month GTV divided by the number of Revenue Producers at the reporting date. As a result of the timing and impact of the Merger on both GTV and the number of Revenue Producers, we updated our Sales Force Productivity measure calculations as at and for the 12-month periods ended September 30, 2017 and 2016.

Our updated Sales Force Productivity measure calculation as at and for the 12-month period ended September 30, 2017 is the sum of the following two amounts:

- GTV for the eight months, pre-Merger, ended May 31, 2017, divided by the average number of Revenue Producers over the same eight-month period; and
- GTV for the four months, post-Merger, ended September 30, 2017, divided by the average number of Revenue Producers over the same four-month period.

Under the revised calculation, our Sales Force Productivity as at and for the trailing 12-month period ended September 30, 2017 is \$11.1 million per Revenue Producer.

We similarly updated the calculation of the measure over the comparative period to be GTV for the trailing 12-month period ended September 30, 2016, divided by the average number of Revenue Producers over the same 12-month period. Under the revised calculation, our Sales Force Productivity as at and for the trailing 12-month period ended September 30, 2016 was \$12.5 million. No IronPlanet GTV or Revenue Producers are included in this comparative metric.

Sales Force Productivity decreased by \$1.4 million per Revenue Producer over the comparative period. We believe the decrease is due to a combination of factors, including:

- The acquisition of Revenue Producers from IronPlanet that had a lower Sales Force Productivity than Ritchie Bros. sales personnel, pre-Merger. IronPlanet’s Sales Force Productivity was \$7.6 million per Revenue Producer for the trailing 12-month period ended May 31, 2017.
- Headwinds resulting from our third quarter Columbus, United States, live on site auction, which generated \$76.6 million in GTV in the third quarter of 2016 compared to \$10.5 million in the third quarter of 2017.
- The constrained supply of used equipment.
- Some lower sales productivity as we complete the integration of our sales teams post-Merger.

Industrial auction metrics

During the first nine months of 2017, we conducted 169 unreserved industrial auctions at locations in North America, Europe, the Middle East, Australia, New Zealand, and Asia, compared to 162 during the first nine months of 2016.

Our key industrial auction metrics⁹ are shown below:

	Nine months ended September 30,		% Change 2017 over 2016
	2017	2016	
Bidder registrations	404,000	395,500	2%
Consignments	41,950	39,250	7%
Buyers	100,650	101,000	-
Lots	276,000	294,000	(6%)

We saw decreases in industrial auction buyers and lots in the first nine months of 2017 compared to the first nine months of 2016, primarily due to changes in our auction calendar combined with the performance of the used equipment market, which experienced supply volume pressure over the comparative period. Regarding auction calendar changes, we held the largest-ever auction in Grande Prairie, Canada, in the first quarter of 2016 that generated more than \$46.0 million (62.0 million Canadian dollars) of GTV, with no similar auction on the calendar in the first nine months of 2017.

⁹ For a breakdown of these key industrial auction metrics by month, please refer to our website at www.rbauction.com. None of the information in our website is incorporated by reference into this document by this or any other reference.

Although our auctions vary in size, our average industrial auction results on a trailing 12-month basis are described in the following table:

	12 months ended September 30,		Change
	2017	2016	2017 over 2016
GTV	\$ 15.9 million	\$ 17.5 million	\$ -1.6 million
Bidder registrations	2,324	2,397	(3%)
Consignors	234	234	-
Lots	1,589	1,718	(8%)

For the same reasons discussed above, we saw a decrease in the average number of lots for the 12 months ended September 30, 2017 compared to the 12 months ended September 30, 2016.

Online bidding at live on site auctions

Internet bidders comprised 68% of the total bidder registrations at our live on site auctions in the first nine months of 2017, compared to 66% in the first nine months of 2016. This increase in the level of internet bidders continues to demonstrate our ability to drive multichannel participation at our auctions.

Website metrics¹⁰

Our IronPlanet websites www.ironplanet.com, www.govplanet.com, and www.truckplanet.com, and our EquipmentOne websites www.equipmentone.com, www.salvagesale.com, www.salvagesale.uk.com, and www.mexico.assetnation.com provide access to our online marketplaces.

Traffic across all our websites increased 19% in the first nine months of 2017 compared to the first nine months of 2016, with the addition of IronPlanet traffic accounting for 1230 of the 1900-basis point increase.

Outstanding Share Data

We are a public company and our common shares are listed under the symbol “RBA” on the New York Stock Exchange (“NYSE”) and the Toronto Stock Exchange (“TSX”). Financial information about our equity and share-based payments is set forth in our consolidated financial statement footnotes 19 “Equity and Dividends” and 20 “Share-based Payments” in “Part I, Item 1: Consolidated Financial Statements” of this Quarterly Report on Form 10-Q.

Share repurchase program

Our normal course issuer bid (“NCIB”) that was approved by the TSX on March 1, 2016 expired on March 2, 2017 and was not renewed. No share purchases were made pursuant to the NCIB, or by any other means, during the nine months ended September 30, 2017.

¹⁰ None of the information in our websites is incorporated by reference into this document by this or any other reference.

Liquidity and Capital Resources

Working capital

(in U.S. \$000's)	September 30, 2017	December 31, 2016	\$ Change	% Change
Cash and cash equivalents	\$ 224,474	\$ 207,867	\$ 16,607	8%
Current restricted cash	\$ 89,846	\$ 50,222	\$ 39,624	79%
Current assets	\$ 621,455	\$ 377,998	\$ 243,457	64%
Current liabilities	519,391	252,834	266,557	105%
Working capital	\$ 102,064	\$ 125,164	\$ (23,100)	(18%)

We believe that working capital is a more meaningful measure of our liquidity than cash alone. Our working capital decreased during the nine months ended September 30, 2017, primarily due to the payment of dividends of \$54.6 and interest on our debt, partially offset by operating income generated during the period.

Cash flows

(in U.S. \$000's)	Nine months ended September 30,			
	2017	2016	\$ Change 2017 over 2016	% Change 2017 over 2016
Cash provided by (used in):				
Operating activities	\$ 97,215	\$ 161,421	\$ (64,206)	(40%)
Investing activities	(701,599)	(97,316)	(604,283)	621%
Financing activities	143,345	(49,610)	192,955	(389%)
Effect of changes in foreign currency rates	17,270	6,656	10,614	159%
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ (443,769)	\$ 21,151	\$ (464,920)	(2198%)

Operating activities

Cash provided by operating activities can fluctuate significantly from period to period due to factors such as differences in the timing, size, and number of auctions during the period, the volume of our underwritten contracts, the timing of the receipt of auction proceeds from buyers and of the payment of net amounts due to consignors, as well as the location of the auction with respect to restrictions on the use of cash generated therein.

Cash provided by operating activities decreased \$64.2 million, or 40%, during the first nine months of 2017 compared to the first nine months of 2016. This decrease was primarily due to a decrease in cash earnings, which includes a decrease in net income of \$27.1 million, and a decrease of \$10.7 million in non-cash charges. Changes in certain of our operating assets and liabilities also contributed to the decline in cash flow from operations. In particular, changes in inventory used \$31.7 million more cash during the first nine months of 2017 compared to the first nine months of 2016. This was primarily due to an increase in inventory deals in Australia and the Canadian agriculture sectors in the first nine months of September 30, 2017, combined with a decrease in the number of inventory packages during the first nine months of September 30, 2016. This decrease was primarily due to large inventory packages held at the end of 2015 being sold in the February 2016 Orlando auction. The remaining change in operating assets and liabilities came from a variety of smaller items.

Cash provided by operating activities decreased \$31.5 million, or 22%, during the 12 months ended September 30, 2017 compared to the 12 months ended September 30, 2016, primarily due to a \$46.6 million decrease in net income, changes in certain of our operating assets and liabilities, including auction proceeds payable, and a decrease in non-cash impairment losses over the same comparative period. This decrease was partially offset by changes in trade and other receivables during the 12 months ended September 30, 2017 compared to the 12 months ended September 30, 2016.

Investing activities

Net cash used in investing activities increased \$604.3 million during the first nine months of 2017 compared to the first nine months of 2016. This increase is primarily due to the acquisition of IronPlanet for \$675.9 million, net of cash acquired in the first nine months of 2017, compared to the acquisitions of RBFS non-controlling interests of \$41.1 million, Mascus for \$28.1 million, net of cash and cash equivalents acquired, and Petrowsky for \$6.3 million in the first nine months of 2016.

CAPEX intensity presents net capital spending as a percentage of revenue. We believe that comparing CAPEX intensity on a trailing 12-month basis for different financial periods provides useful information as to the amount of capital expenditure that we require to generate revenues.

(in U.S. \$ millions)	12 months ended September 30,		
	2017	2016	Change 2017 over 2016
Property, plant and equipment additions	\$ 14.4	\$ 22.0	(35%)
Intangible asset additions	26.0	16.6	57%
Proceeds on disposition of property plant and equipment	(6.9)	(15.2)	(55%)
Net capital spending	\$ 33.5	\$ 23.4	43%
Revenues	\$ 578.5	\$ 555.1	4%
CAPEX intensity	5.8%	4.2%	160 bps

CAPEX intensity for the 12 months ended September 30, 2017 increased compared to CAPEX intensity for the 12 months ended September 30, 2016, primarily due to the net capital spending increase of 43% exceeding the revenue increase of 4% period-over-period.

Net capital spending increased \$10.1 million, or 43%, during the 12 months ended September 30, 2017 compared to the 12 months ended September 30, 2016, primarily due to a \$9.4 million increase in intangible asset additions over the same comparative period. The increase in intangible asset additions period-over-period is primarily due to the capitalization of costs of assets under development. Significant software development projects during the 12 months ended September 30, 2017 include systems integration following the Merger and other acquisitions, along with enhanced functionality for our online marketplace sales channel. The decrease in cash provided by operating activities combined with the increase in net capital spending resulted in a decrease in operating free cash flow ("OFCF")¹¹ (non-GAAP measure) of \$41.6 million, or 34%, from \$121.5 million for the 12 months ended September 30, 2016 to \$79.9 million for the 12 months ended September 30, 2017.

Financing activities

Net cash provided by financing activities increased \$193.0 million in the first nine months of 2017 compared to the nine months of 2016. In the first nine months of 2017, we borrowed a net \$180.4 million more than in the first nine months of 2016. We also had a \$36.7 million decrease in share repurchases over the same comparative period. The increase in cash provided by financing activities was partially offset by a \$12.8 million decrease in share capital issuances and the payment of debt issue costs of \$11.8 million in the first nine months of 2017 compared to the first nine months of 2016.

11 OFCF is non-GAAP financial measure that we believe, when compared on a trailing 12-month basis to different financial periods provides an effective measure of the cash generated by our business and provides useful information regarding cash flows remaining for discretionary return to stockholders, mergers and acquisitions, or debt reduction. Our balance sheet scorecard includes the performance metric, OFCF. OFCF is also an element of the performance criteria for certain annual short-term incentive awards we grant to our employees and officers. We calculate OFCF by subtracting net capital spending from cash provided by operating activities. OFCF is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under "Non-GAAP Measures" below.

We declared and paid regular cash dividends of \$0.17 per common share for the quarters ended September 30, 2016, December 31, 2016, March 31, 2017, and June 30, 2017. We have declared, but not yet paid, a dividend of \$0.17 per common share for the quarter ended September 30, 2017.

Total dividend payments during the nine months ended September 30, 2017 were \$54.6 million to stockholders and \$40.8 thousand to non-controlling interests. This compares to total dividend payments of \$52.3 million to stockholders and \$3.4 million to non-controlling interests during the nine months ended September 30, 2016. All dividends we pay are “eligible dividends” for Canadian income tax purposes unless indicated otherwise.

Our dividend payout ratio, which we calculate as dividends paid to stockholders divided by net income attributable to stockholders, increased 4710 bps to 110.0% for the 12 months ended September 30, 2017 from 62.9% for the 12 months ended September 30, 2016. This increase is primarily the result of the decrease in net income attributable to stockholders combined with the increase in our dividends paid to stockholders over the same comparative period. Our adjusted dividend payout ratio¹² (non-GAAP measure) increased 2180 bps to 78.9% for the 12 months ended September 30, 2017 from 57.1% for the 12 months ended September 30, 2016.

Our return on average invested capital is calculated as net income attributable to stockholders divided by our average invested capital. We calculate average invested capital over a trailing 12-month period by adding the average long-term debt over that period to the average stockholders’ equity over that period. Return on average invested capital decreased 830 bps to 5.7% during the 12 months ended September 30, 2017 from 14.0% during the 12 months ended September 30, 2016. This decrease is primarily due to a \$372.9 million, or a 47%, increase in average invested capital period-over-period, which was primarily the result of the issuance of \$500.0 million of senior unsecured notes (the “Notes”) in the fourth quarter of 2016 and the delayed draw term loans borrowed in the second quarter of 2017. Also contributing to the decrease in return on average invested capital over this comparative period was a \$44.4 million, or 40%, decrease in net income attributable to stockholders. Return on invested capital (“ROIC”)¹³ (non-GAAP measure) decreased 750 bps to 7.9% during the 12 months ended September 30, 2017 from 15.4% during the 12 months ended September 30, 2016.

Debt and credit facilities

At September 30, 2017, our short-term debt of \$8.6 million consisted of borrowings under our committed revolving credit facilities and had a weighted average annual interest rate of 2.8%. This compares to current borrowings of \$23.9 million at December 31, 2016 with a weighted average annual interest rate of 2.2%.

As at September 30, 2017, we had a total of \$817.9 million long-term debt with a weighted average annual interest rate of 4.6%. This compares to long-term debt of \$595.7 million as at December 31, 2016 with a weighted average annual interest rate of 4.9%.

12 Adjusted dividend payout ratio is non-GAAP financial measure. We believe that comparing the adjusted dividend payout ratio for different financial periods provides useful information about how well our net income supports our dividend payments. Adjusted dividend payout ratio is calculated by dividing dividends paid to stockholders by adjusted net income attributable to stockholders (non-GAAP measure). Adjusted dividend payout ratio is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under “Non-GAAP Measures” below.

13 ROIC is a non-GAAP financial measure that we believe, by comparing on a trailing 12-month basis for different financial periods provides useful information about the after-tax return generated by our investments. Our balance sheet scorecard includes the performance metric ROIC. ROIC was also an element of the performance criteria for certain PSUs that we granted our employees and officers in 2013 and 2014. We calculate ROIC as net income attributable to stockholders excluding the effects of adjusting items divided by average invested capital. Average invested capital is a GAAP measure calculated as the average long-term debt (including current and non-current portions) and stockholders’ equity over a trailing 12-month period. ROIC is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under “Non-GAAP Measures” below.

Future scheduled principal and interest payments (assuming no changes in short-term rates from current levels) over the next five years relating to our long-term debt outstanding at September 30, 2017 are as follows:

(in U.S. \$000's)	Scheduled payments by due period					
	In 2017	In 2018	In 2019	In 2020	In 2021	Thereafter
On long-term debt:						
Principal	\$ 4,246	\$ 16,985	\$ 25,477	\$ 33,969	\$ 254,769	\$ 500,000
Interest	2,964	38,356	37,719	36,630	33,984	94,063

Syndicated credit facility

On October 27, 2016, we closed a five-year credit agreement (the "Credit Agreement") with a syndicate of lenders, including Bank of America, N.A. ("BofA") and Royal Bank of Canada, that provides us with:

- 1) Multicurrency revolving facilities of up to \$675.0 million (the "Multicurrency Facilities");
- 2) A delayed-draw term loan facility of up to \$325.0 million (the "Delayed-Draw Facility" and together with the Multicurrency Facilities, the "Syndicated Facilities"); and
- 3) At our election and subject to certain conditions, including receipt of related commitments, incremental term loan facilities and/or increases to the Multicurrency Facilities in an aggregate amount of up to \$50 million.

We may use the proceeds from the Multicurrency Facilities for general corporate purposes. During the second quarter of 2017, the full amount of the Delayed-Draw Facility was drawn to finance the Merger.

The Syndicated Facilities are secured by the assets of Ritchie Bros. Auctioneers Incorporated and certain of its subsidiaries in Canada and the United States. The Syndicated Facilities may become unsecured again, subject to Ritchie Bros. meeting specified credit rating or leverage ratio conditions. The Syndicated Facilities mature five years after the closing date of the Credit Agreement. The Delayed-Draw Facility is amortized in equal quarterly installments in an annual amount of 5% for the first two years after the closing of the Merger, and 10% in the third through fifth years after the closing of the Merger, with the balance payable at maturity.

Borrowings under the Credit Agreement bear floating rates of interest, which, at our option, are based on either a base rate (or Canadian prime rate for certain Canadian dollar borrowings) or LIBOR (or such customary floating rate customarily used by BofA for currencies other than U.S. dollars). In either case, an applicable margin is added to the rate. The applicable margin ranges from 0.25% to 1.50% for base rate loans, and 1.25% to 2.50% for LIBOR (or the equivalent of such currency) loans, depending on our leverage ratio at the time of borrowing. We must also pay quarterly in arrears a commitment fee equal to the daily amount of the unused commitments under the Syndicated Facilities multiplied by an applicable percentage per annum (which ranges from 0.25% to 0.50% depending on our leverage ratio).

We incurred debt issuance costs of \$9.7 million in connection with the Credit Agreement, of which \$4.8 million was allocated to the Multicurrency Facilities and \$4.9 million was allocated to the Delayed-Draw Facility. As the former allocation is not related to specific draws, the costs have been capitalized as other non-current assets and are being amortized over the term of the Syndicated Facilities. For the latter allocation, the costs have been capitalized and reduce the carrying value of the delayed draw term loans to which they relate. At September 30, 2017, the unamortized deferred debt issuance costs relating to the Multicurrency Facilities and delayed draw term loans were \$4.1 million and \$4.4 million, respectively.

Senior unsecured notes

On December 21, 2016, we completed the offering of the Notes for an aggregate principal amount of \$500.0 million. The Notes bear interest at a rate of 5.375% per annum and have a maturity date of January 15, 2025. The Notes were offered only to qualified institutional buyers in reliance on Rule 144A under the Securities Act, and outside the United States, only to non-U.S. investors pursuant to Regulation S under the Securities Act. The Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold in the United States absent an effective registration statement or an applicable exemption from registration requirements or a transaction not subject to the registration requirements of the Securities Act or any state securities laws.

The proceeds of the offering were used to finance the Merger. Upon the closing of the offering, the gross proceeds from the offering together with certain additional amounts including prepaid interest were deposited in to an escrow account. The funds were held in escrow until the Merger was completed on May 31, 2017.

Until the release of the proceeds in the escrow account, the Notes were secured by a first priority security interest in the escrow account. Upon the completion of the Merger, the Notes became senior unsecured obligations. The Notes are jointly and severally guaranteed on an unsecured basis, subject to certain exceptions, by each of our subsidiaries that is a borrower or guarantees indebtedness under the Credit Agreement. IronPlanet and certain of its subsidiaries were added as additional guarantors in connection with the Merger.

We incurred debt issuance costs of \$13.9 million in connection with the offering of the Notes. At September 30, 2017, we had unamortized deferred debt issuance costs relating to the Notes of \$13.1 million.

Other credit facilities

As at September 30, 2017, we also had \$10.1 million in committed, revolving credit facilities, in certain foreign jurisdictions, which expire on May 31, 2018.

Debt covenants

The Credit Agreement contains certain covenants that could limit the ability of the Company and certain of its subsidiaries to, among other things and subject to certain significant exceptions: (i) incur, assume or guarantee additional indebtedness; (ii) declare or pay dividends or make other distributions with respect to, or purchase or otherwise acquire or retire for value, equity interests; (iii) make loans, advances or other investments; (iv) incur liens; (v) sell or otherwise dispose of assets; and (vi) enter into transactions with affiliates. The Credit Agreement also provides for certain events of default, which, if any of them occurs, would permit or require the principal, premium, if any, interest and any other monetary obligations on all the then outstanding amounts under the Credit Agreement to be declared immediately due and payable.

The Notes were issued pursuant to an indenture, dated December 21, 2016, with U.S. Bank National Association, as trustee (the "Indenture"). The Indenture contains covenants that limit our ability, and the ability of certain of our subsidiaries to, among other things and subject to certain significant exceptions: (i) incur, assume or guarantee additional indebtedness; (ii) declare or pay dividends or make other distributions with respect to, or purchase or otherwise acquire or retire for value, equity interests; (iii) make any principal payment on, or redeem or repurchase, subordinated debt; (iv) make loans, advances or other investments; (v) incur liens; (vi) sell or otherwise dispose of assets; and (vii) enter into transactions with affiliates. The Indenture also provides for certain events of default, which, if any of them occurs, would permit or require the principal, premium, if any, interest and any other monetary obligations on all the then outstanding Notes under the applicable indenture to be declared immediately due and payable.

At inception of the Credit Agreement and the Indenture, all parties anticipated the increase in indebtedness that followed the Merger. As such, covenants pertaining to our leverage ratio provide for a six-quarter expansion of debt levels, after which the leverage ratio settles to a moderately higher tier than pre-Merger conditions.

We were in compliance with all financial and other covenants applicable to our credit facilities at September 30, 2017.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, financial performance, liquidity, capital expenditures or capital resources.

Historical Segmented Information

To provide additional historical context and an enhanced understanding of our business to the users of this filing, we are including the following tables, which present our historical segmented information under the new reportable segment, Auctions and Marketplaces, and the other category for periods not already included in “Part I, Item 1: Consolidated Financial Statements” of this Quarterly Report on Form 10-Q:

	Three months ended March 31, 2017			Three months ended June 30, 2017		
	Auctions and Marketplaces	Other	Consolidated	Auctions and Marketplaces	Other	Consolidated
Revenues	\$ 115,677	\$ 8,822	\$ 124,499	\$ 154,646	\$ 11,540	\$ 166,186
Costs of services, excluding D&A	(12,587)	(226)	(12,813)	(20,978)	(613)	(21,591)
SG&A expenses	(67,392)	(3,183)	(70,575)	(71,199)	(3,178)	(74,377)
Impairment loss	-	-	-	(8,911)	-	(8,911)
Segment profit	\$ 35,698	\$ 5,413	\$ 41,111	\$ 53,558	\$ 7,749	\$ 61,307
Acquisition-related costs			(8,627)			(22,948)
D&A expenses			(10,338)			(11,872)
Gain on disposition of PPE			721			308
Foreign exchange gain			730			93
Operating income			\$ 23,597			\$ 26,888
Other expense			(5,849)			(5,150)
Income tax expense			(7,315)			(4,025)
Net income			\$ 10,433			\$ 17,713

	Three months ended March 31, 2016			Three months ended June 30, 2016		
	Auctions and Marketplaces	Other	Consolidated	Auctions and Marketplaces	Other	Consolidated
Revenues	\$ 125,659	\$ 6,286	\$ 131,945	\$ 148,458	\$ 10,347	\$ 158,805
Costs of services, excluding D&A	(15,313)	-	(15,313)	(19,407)	(351)	(19,758)
SG&A expenses	(65,706)	(1,404)	(67,110)	(69,915)	(4,077)	(73,992)
Segment profit	\$ 44,640	\$ 4,882	\$ 49,522	\$ 59,136	\$ 5,919	\$ 65,055
Acquisition-related costs			(1,197)			(603)
D&A expenses			(10,080)			(10,284)
Gain on disposition of PPE			246			201
Foreign exchange gain (loss)			683			(734)
Operating income			\$ 39,174			\$ 53,635
Other income			352			173
Income tax expense			(9,532)			(13,217)
Net income			\$ 29,994			\$ 40,591

	Three months ended September 31, 2016			Three months ended December 31, 2016		
	Auctions and Marketplaces	Other	Consolidated	Auctions and Marketplaces	Other	Consolidated
Revenues	\$ 121,111	\$ 7,765	\$ 128,876	\$ 136,598	\$ 10,171	\$ 146,769
Costs of services, excluding D&A	(14,493)	(257)	(14,750)	(16,035)	(206)	(16,241)
SG&A expenses	(65,346)	(2,947)	(68,293)	(72,212)	(1,922)	(74,134)
Impairment loss	(28,243)	-	(28,243)	-	-	-
Segment profit	\$ 13,029	\$ 4,561	\$ 17,590	\$ 48,351	\$ 8,043	\$ 56,394
Acquisition-related costs			(5,398)			(4,631)
D&A expenses			(10,196)			(10,301)
Gain on disposition of PPE			570			265
Foreign exchange loss			(281)			(1,099)
Operating income			\$ 2,285			\$ 40,628
Other expense			(105)			(5,648)
Income tax expense			(7,180)			(7,053)
Net income (loss)			\$ (5,000)			\$ 27,927

	Year ended December 31, 2016		
	Auctions and Marketplaces	Other	Consolidated
Revenues	\$ 531,826	\$ 34,569	\$ 566,395
Costs of services, excluding D&A	(65,248)	(814)	(66,062)
SG&A expenses	(273,179)	(10,350)	(283,529)
Impairment loss	(28,243)	-	(28,243)
Segment profit	\$ 165,156	\$ 23,405	\$ 188,561
Acquisition-related costs			(11,829)
D&A expenses			(40,861)
Gain on disposition of PPE			1,282
Foreign exchange loss			(1,431)
Operating income			\$ 135,722
Other expense			(5,228)
Income tax expense			(36,982)
Net income			\$ 93,512

Critical Accounting Policies, Judgments, Estimates and Assumptions

Aside from those discussed below, there were no material changes in our critical accounting policies, judgments, estimates and assumptions from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016, which is available on our website at www.rbauction.com, on EDGAR at www.sec.gov, or on SEDAR at www.sedar.com, or in the notes to our consolidated financial statements included in "Part I, Item 1: Consolidated Financial Statements" in this Quarterly Report on Form 10-Q.

Recoverability of goodwill

We perform impairment tests on goodwill on an annual basis in accordance with US GAAP, or more frequently if events or changes in circumstances indicate that those assets might be impaired. Goodwill is tested for impairment at a reporting unit level, which is at the same level or one level below an operating segment.

On January 1, 2017, we early adopted Accounting Standards Update (“ASU”) 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”), which eliminates Step 2 from the goodwill impairment test. Under ASU 2017-04, we still have the option of performing a qualitative assessment of a reporting unit to first determine whether the quantitative impairment test is necessary. We exercise judgment in performing our qualitative assessment of whether indicators of impairment exist.

When we determine that an annual or interim quantitative impairment test is necessary, we now only perform one step to identify potential impairment, which is to compare the reporting unit’s fair value with its carrying amount, including goodwill. The reporting unit’s fair value is determined using various valuation approaches and techniques that involve assumptions based on what we believe a hypothetical marketplace participant would use in estimating fair value on the measurement date. An impairment loss is recognized as the difference between the reporting unit’s carrying amount and its fair value to the extent the difference does not exceed the total amount of goodwill allocated to the reporting unit.

We measure the fair value of our reporting units using a blended analysis of the earnings valuation approach, which employs a discounted cash flow valuation technique, and the market valuation approach, which employs a multiple of earnings valuation technique. We believe that using a blended valuation approach compensates for the inherent risks associated with each technique if used on a stand-alone basis. In applying these valuation approaches, management is required to make significant estimates and assumptions about the timing and amount of future cash flows, revenue growth rates, and discount rates, which requires a significant amount of judgment. Accordingly, actual results may differ from those used in the goodwill impairment test.

Changes in Accounting Policies

There were no changes in our significant accounting policies during the three months ended September 30, 2017.

Future changes in accounting policies – recent accounting standards not yet adopted

In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”), which requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. We will not early adopt ASU 2014-09, and as such, the effective date will be January 1, 2018. We have decided to adopt ASU 2014-09 on a retrospective basis.

While continuing to assess all potential impacts of adoption of ASU 2014-09, our current analysis indicates that the most significant change will be in the presentation of revenue from the majority of inventory, ancillary service, and RBL contracts to gross as a principal instead of net as an agent. This presentation is expected to significantly increase the amount of revenue reported compared to the current presentation, as well as add volatility to revenue over comparative periods. Presenting these revenues gross as a principal versus net as an agent has no impact on operating income.

The following tables illustrate the expected impact on our reported results of retrospectively adopting ASU 2014-09 and, thereunder, presenting the majority of inventory, ancillary service, and RBLs revenues on a gross basis:

(in U.S. \$000's)	Nine months ended September 30,		Year ended December 31,			
	2017	2016	2016	2015	2014	2013
Total revenues:						
As reported	\$ 431,732	\$ 419,626	\$ 566,395	\$ 515,875	\$ 481,097	\$ 467,403
New revenue standard	680,989	832,147	1,126,977	1,080,499	1,239,636	1,089,180
Operating income:						
As reported	\$ 67,416	\$ 95,094	\$ 135,722	\$ 174,840	\$ 127,927	\$ 136,959
New revenue standard	67,416	95,094	135,722	174,840	127,927	136,959

Revenue reported under current US GAAP increased 3% in the first nine months of 2017 compared to the first nine months of 2016. The expected impact of retrospectively adopting ASU 2014-09 would result in an 18% decrease in total revenues in the first nine months of 2017 compared to the first nine months of 2016.

Revenue under current US GAAP will be most comparable to total revenues less cost of inventory sold under ASU 2014-09. As such, when ASU 2014-09 takes effect, we will introduce a new non-GAAP financial measure that we are tentatively calling "Agency Proceeds", which will be calculated as total revenues less cost of inventory sold and will replace revenues used in our key performance metrics.

Non-GAAP Measures

We reference various non-GAAP measures throughout this Quarterly Report on Form 10-Q. These measures do not have a standardized meaning and are, therefore, unlikely to be comparable to similar measures presented by other companies. The presentation of this financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation of, or as a substitute for, the financial information prepared and presented in accordance with generally accepted accounting principles.

The following tables present our adjusted operating income (non-GAAP measure) and adjusted operating income margin (non-GAAP measure) results for the three and nine months, respectively, ended September 30, 2017 and 2016, as well as reconcile those metrics to operating income, revenues, and operating income margin, which are the most directly comparable GAAP measures in, or calculated from, our consolidated income statements:

(in U.S. \$000's)	Three months ended September 30,			Change 2017 over 2016
	2017	2016		
Operating income	\$ 16,931	\$ 2,285		641%
Pre-tax adjusting item:				
Impairment loss	-	28,243		(100%)
Adjusted operating income (non-GAAP measure)	16,931	30,528		(45%)
Revenues	\$ 141,047	\$ 128,876		9%
Operating income margin	12.0%	1.8%		1020 bps
Adjusted operating income margin (non-GAAP measure)	12.0%	23.7%		-1170 bps

(in U.S. \$000's)	Nine months ended September 30,			Change 2017 over 2016
	2017		2016	
Operating income	\$ 67,416	\$	95,094	(29%)
Pre-tax adjusting items:				
Accelerated vesting of assumed options	4,752		-	100%
Acquisition and finance structure advisory	9,063		-	100%
Severance and retention	1,447		-	100%
Impairment loss	8,911		28,243	(68%)
Adjusted operating income (non-GAAP measure)	91,589		123,337	(26%)
Revenues	\$ 431,732	\$	419,626	3%
Operating income margin	15.6%		22.7%	-710 bps
Adjusted operating income margin (non-GAAP measure)	21.2%		29.4%	-820 bps

There were no adjusting items recognized in the first or third quarters of 2017. The adjusting items for the nine months ended September 30, 2017 were:

Recognized in the second quarter of 2017

- \$4.8 million (\$4.8 million after tax, or \$0.04 per diluted share) of stock option compensation expense related to the accelerated vesting of certain IronPlanet stock options assumed as part of the Merger
- \$9.1 million (\$6.6 million after tax, or \$0.06 per diluted share) of acquisition and finance structure advisory costs
- \$1.4 million (\$0.9 million after tax, or \$0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Merger
- An \$8.9 million (\$6.6 million after tax, or \$0.06 per diluted share) impairment loss recognized on various technology assets

The adjusting items for the three and nine months ended September 30, 2016 were:

Recognized in the third quarter of 2016

- A \$28.2 million (\$26.4 million after tax, or \$0.25 per diluted share) impairment loss on EquipmentOne reporting unit goodwill and customer relationships

There were no first or second quarter 2016 adjusting items.

The following tables present our adjusted net income attributable to stockholders (non-GAAP measure) and diluted adjusted EPS attributable to stockholders (non-GAAP measure) results for the three and nine months, respectively, ended September 30, 2017 and 2016, as well as reconcile those metrics to net income attributable to stockholders, the effect of dilutive securities, the weighted average number of dilutive shares outstanding, and diluted earnings (loss) per share attributable to stockholders, which are the most directly comparable GAAP measures in our consolidated income statements:

(in U.S. \$000's, except share and per share data)	Three months ended September 30,			Change 2017 over 2016
	2017	2016		
Net income (loss) attributable to stockholders	\$ 10,261	\$ (5,137)		300%
Pre-tax adjusting items:				
Impairment loss	-	28,243		(100%)
Deferred income tax effect of adjusting items:				
Impairment loss	-	(1,798)		(100%)
Adjusted net income attributable to stockholders (non-GAAP measure)	\$ 10,261	\$ 21,308		(52%)
Effect of dilutive securities	\$ -	\$ -		-
Weighted average number of dilutive shares outstanding	108,178,303	107,525,051		1%
Diluted earnings (loss) per share attributable to stockholders	\$ 0.09	\$ (0.05)		280%
Diluted adjusted EPS attributable to stockholders (non-GAAP measure)	\$ 0.09	\$ 0.20		(55%)

(in U.S. \$000's, except share and per share data)	Nine months ended September 30,			Change
	2017	2016		2017 over 2016
Net income attributable to stockholders	\$ 38,273	\$ 63,979		(40%)
Pre-tax adjusting items:				
Accelerated vesting of assumed options	4,752	-		100%
Acquisition and finance structure advisory	9,063	-		100%
Severance and retention	1,447	-		100%
Impairment loss	8,911	28,243		(68%)
Current income tax effect of adjusting items:				
Acquisition and finance structure advisory	(2,447)	-		100%
Severance and retention	(564)	-		100%
Deferred income tax effect of adjusting items:				
Impairment loss	(2,361)	(1,798)		31%
Current income tax adjusting item:				
Change in uncertain tax provision	2,290	-		100%
Adjusted net income attributable to stockholders (non-GAAP measure)	\$ 59,364	\$ 90,424		(34%)
Effect of dilutive securities	\$ (50)	\$ -		100%
Weighted average number of dilutive shares outstanding	108,069,624	107,221,390		1%
Diluted EPS attributable to stockholders	\$ 0.35	\$ 0.60		(42%)
Diluted adjusted EPS attributable to stockholders (non-GAAP measure)	\$ 0.55	\$ 0.84		(35%)

There were no adjusting items recognized in the third quarter of 2017. The adjusting items for the nine months ended September 30, 2017 were:

Recognized in the second quarter of 2017

- \$4.8 million (\$4.8 million after tax, or \$0.04 per diluted share) of stock option compensation expense related to the accelerated vesting of certain IronPlanet stock options assumed as part of the Merger
- \$9.1 million (\$6.6 million after tax, or \$0.06 per diluted share) of acquisition and finance structure advisory costs,
- \$1.4 million (\$0.9 million after tax, or \$0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Merger
- An \$8.9 million (\$6.6 million after tax, or \$0.06 per diluted share) impairment loss recognized on various technology assets

Recognized in the first quarter of 2017

- A \$2.3 million (or \$0.02 per diluted share) charge related to the change in uncertain tax provisions

The adjusting items for the three and nine months ended September 30, 2016 were:

Recognized in the third quarter of 2016

- A \$28.2 million (\$26.4 million after tax, or \$0.25 per diluted share) impairment loss on EquipmentOne reporting unit goodwill and customer relationships

There were no first or second quarter 2016 adjusting items.

The following tables present our adjusted EBITDA (non-GAAP measure) and adjusted EBITDA margin (non-GAAP measure) results for the three and nine months, respectively, ended September 30, 2017 and 2016, as well as reconcile those metrics to net income (loss), revenues, and net income margin, which are the most directly comparable GAAP measures in, or calculated from, our consolidated income statements:

(in U.S. \$000's)	Three months ended September 30,			Change 2017 over 2016
	2017	2016		
Net income (loss)	\$ 10,323	\$ (5,000)		306%
<i>Add:</i> depreciation and amortization expenses	14,837	10,196		46%
<i>Less:</i> interest income	(517)	(369)		40%
<i>Add:</i> interest expense	10,558	934		1030%
<i>Add:</i> current income tax expense	1,402	9,652		(85%)
<i>Less:</i> deferred income tax recovery	(4,760)	(2,472)		93%
Pre-tax adjusting items:				
Impairment loss	-	28,243		(100%)
Adjusted EBITDA (non-GAAP measure)	31,843	41,184		(23%)
Revenues	\$ 141,047	\$ 128,876		9%
Net income margin	7.3%	-3.9%		1120 bps
Adjusted EBITDA margin (non-GAAP measure)	22.6%	32.0%		-940 bps

(in U.S. \$000's)	Nine months ended September 30,			Change 2017 over 2016
	2017	2016		
Net income	\$ 38,469	\$ 65,585		(41%)
<i>Add:</i> depreciation and amortization expenses	37,047	30,560		21%
<i>Less:</i> interest income	(2,459)	(1,354)		82%
<i>Add:</i> interest expense	27,311	3,357		714%
<i>Add:</i> current income tax expense	17,565	35,767		(51%)
<i>Add:</i> deferred income tax recovery	(9,583)	(5,838)		64%
Pre-tax adjusting items:				
Accelerated vesting of assumed options	4,752	-		100%
Acquisition and finance structure advisory	9,063	-		100%
Severance and retention	1,447	-		100%
Impairment loss	8,911	28,243		(68%)
Adjusted EBITDA (non-GAAP measure)	132,523	156,320		(15%)
Revenues	\$ 431,732	\$ 419,626		3%
Net income margin	8.9%	15.6%		-670 bps
Adjusted EBITDA margin (non-GAAP measure)	30.7%	37.3%		-660 bps

There were no adjusting items recognized in the first or third quarters of 2017. The adjusting items for the nine months ended September 30, 2017 were:

Recognized in the second quarter of 2017

- \$4.8 million (\$4.8 million after tax, or \$0.04 per diluted share) of stock option compensation expense related to the accelerated vesting of certain IronPlanet stock options assumed as part of the Merger
- \$9.1 million (\$6.6 million after tax, or \$0.06 per diluted share) of acquisition and finance structure advisory costs
- \$1.4 million (\$0.9 million after tax, or \$0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Merger
- An \$8.9 million (\$6.6 million after tax, or \$0.06 per diluted share) impairment loss recognized on various technology assets

The adjusting items for the three and nine months ended September 30, 2016 were:

Recognized in the third quarter of 2016

- A \$28.2 million (\$26.4 million after tax, or \$0.25 per diluted share) impairment loss on EquipmentOne reporting unit goodwill and customer relationships

There were no first or second quarter 2016 adjusting items.

The following table presents our adjusted net debt/adjusted EBITDA (non-GAAP measures) results on a trailing 12-month basis, as well as reconciles that metric to debt, cash and cash equivalents, net income, and debt as a multiple of net income, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements:

(in U.S. \$ millions)	As at and for the 12 months ended September 30,			Change 2017 over 2016
	2017		2016	
Short-term debt	\$ 8.6	\$	39.0	(78%)
Long-term debt	817.9		101.6	705%
Debt	826.5		140.6	488%
<i>Less:</i> cash and cash equivalents	(224.5)		(231.0)	(3%)
Adjusted net debt (non-GAAP measure)	602.0		(90.4)	766%
Net income	\$ 66.4	\$	113.0	(41%)
<i>Add:</i> depreciation and amortization expenses	47.3		41.2	15%
<i>Less:</i> interest income	(3.0)		(1.9)	58%
<i>Add:</i> interest expense	29.5		4.5	556%
<i>Add:</i> current income tax expense	22.1		39.4	(44%)
<i>Less:</i> deferred income tax recovery	(7.1)		(6.2)	15%
Pre-tax adjusting items:				
Accelerated vesting of assumed options	4.8		-	100%
Acquisition and finance structure advisory	9.1		-	100%
Severance and retention	1.4		-	100%
Debt extinguishment costs	6.8		-	100%
Gain on sale of excess property	-		(8.4)	(100%)
Impairment loss	8.9		28.2	(68%)
Adjusted EBITDA (non-GAAP measure)	\$ 186.2	\$	209.8	(11%)
Debt/net income	12.4x		1.2x	933%
Adjusted net debt/adjusted EBITDA (non-GAAP measure)	3.2x		-0.4x	900%

The adjusting items for the 12 months ended September 30, 2017 were:

Recognized in the second quarter of 2017

- \$4.8 million (\$4.8 million after tax, or \$0.04 per diluted share) of stock option compensation expense related to the accelerated vesting of certain IronPlanet stock options assumed as part of the Merger
- \$9.1 million (\$6.6 million after tax, or \$0.06 per diluted share) of acquisition and finance structure advisory costs
- \$1.4 million (\$0.9 million after tax, or \$0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Merger
- An \$8.9 million (\$6.6 million after tax, or \$0.06 per diluted share) impairment loss recognized on various technology assets

Recognized in the fourth quarter of 2016

- A \$6.8 million (\$5.0 million after tax, or \$0.05 per diluted share) charge related to the early termination of pre-existing debt

There were no adjusting items recognized in the first or third quarters of 2017.

The adjusting items for the 12 months ended September 30, 2016 were:

Recognized in the third quarter of 2016

- A \$28.2 million (\$26.4 million after tax, or \$0.25 per diluted share) impairment loss on EquipmentOne reporting unit goodwill and customer relationships

Recognized in the fourth quarter of 2015

- A \$8.4 million (\$7.3 million after tax, or \$0.07 per diluted share) gain on the sale of excess property in Edmonton, Canada

There were no adjusting items for the first or second quarters of 2016.

The following table presents our OFCF (non-GAAP measure) results on a trailing 12-month basis, and reconciles that metric to cash provided by operating activities and net capital spending, which are the most directly comparable GAAP measures in, or calculated from, our consolidated statements of cash flows:

(in U.S. \$ millions)	12 months ended September 30,			Change 2017 over 2016
	2017		2016	
Cash provided by operating activities	\$ 113.4	\$	144.9	(22%)
Property, plant and equipment additions	14.4		22.0	(35%)
Intangible asset additions	26.0		16.6	57%
Proceeds on disposition of property plant and equipment	(6.9)		(15.2)	(55%)
Net capital spending	\$ 33.5	\$	23.4	43%
OCF (non-GAAP measure)	\$ 79.9	\$	121.5	(34%)

The following table presents our adjusted net income attributable to stockholders (non-GAAP measure) and adjusted dividend payout ratio (non-GAAP measure) results on a trailing 12-month basis, and reconciles those metrics to dividends paid to stockholders, net income attributable to stockholders, and dividend payout ratio, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements:

(in U.S. \$ millions)	12 months ended September 30,			Change 2017 over 2016
	2017	2016		
Dividends paid to stockholders	\$ 72.7	\$ 69.5		5%
Net income attributable to stockholders	\$ 66.1	\$ 110.5		(40%)
Pre-tax adjusting items:				
Accelerated vesting of assumed options	4.8	-		100%
Acquisition and finance structure advisory	9.1	-		100%
Severance and retention	1.4	-		100%
Debt extinguishment costs	6.8	-		100%
Gain on sale of excess property	-	(8.4)		(100%)
Impairment loss	8.9	28.2		(68%)
Current income tax effect of adjusting items:				
Acquisition and finance structure advisory	(2.4)	-		100%
Severance and retention	(0.6)	-		100%
Debt extinguishment costs	(1.8)	-		100%
Gain on sale of excess property	-	1.1		(100%)
Deferred income tax effect of adjusting items:				
Impairment loss	(2.4)	(1.8)		33%
Current income tax adjusting item:				
Change in uncertain tax provision	2.3	-		100%
Deferred tax adjusting item:				
Tax loss utilization	-	(7.9)		(100%)
Adjusted net income attributable to stockholders (non-GAAP measure)	\$ 92.2	\$ 121.8		(24%)
Dividend payout ratio	110.0%	62.9%		4710 bps
Adjusted dividend payout ratio (non-GAAP measure)	78.9%	57.1%		2180 bps

The adjusting items for the 12 months ended September 30, 2017 were:

Recognized in the second quarter of 2017

- \$4.8 million (\$4.8 million after tax, or \$0.04 per diluted share) of stock option compensation expense related to the accelerated vesting of certain IronPlanet stock options assumed as part of the Merger
- \$9.1 million (\$6.6 million after tax, or \$0.06 per diluted share) of acquisition and finance structure advisory costs
- \$1.4 million (\$0.9 million after tax, or \$0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Merger
- An \$8.9 million (\$6.6 million after tax, or \$0.06 per diluted share) impairment loss recognized on various technology assets

Recognized in the first quarter of 2017

- A \$2.3 million (or \$0.02 per diluted share) charge related to the change in uncertain tax provisions

Recognized in the fourth quarter of 2016

- A \$6.8 million (\$5.0 million after tax, or \$0.05 per diluted share) charge related to the early termination of pre-existing debt

There were no adjusting items recognized in the third quarter of 2017.

The adjusting items for the 12 months ended September 30, 2016 were:

Recognized in the third quarter of 2016

- A \$28.2 million (\$26.4 million after tax, or \$0.25 per diluted share) impairment loss on EquipmentOne reporting unit goodwill and customer relationships

Recognized in the fourth quarter of 2015

- A \$8.4 million (\$7.3 million after tax, or \$0.07 per diluted share) gain on the sale of excess property in Edmonton, Canada
- A \$7.9 million (or \$0.07 per diluted share) tax saving generated by tax loss utilization

There were no first or second quarter 2016 adjusting items.

The following table presents our ROIC (non-GAAP measure) results on a trailing 12-month basis, and reconciles that metric to net income attributable to stockholders, long-term debt, stockholders' equity, and return on average invested capital, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements:

(in U.S. \$ millions)	As at and for the 12 months ended September 30,			Change 2017 over 2016
	2017	2016		
Net income attributable to stockholders	\$ 66.1	\$ 110.5		(40%)
Pre-tax adjusting items:				
Accelerated vesting of assumed options	4.8	-		100%
Acquisition and finance structure advisory	9.1	-		100%
Severance and retention	1.4	-		100%
Debt extinguishment costs	6.8	-		100%
Gain on sale of excess property	-	(8.4)		(100%)
Impairment loss	8.9	28.2		(68%)
Current income tax effect of adjusting items:				
Acquisition and finance structure advisory	(2.4)	-		100%
Severance and retention	(0.6)	-		100%
Debt extinguishment costs	(1.8)	-		100%
Gain on sale of excess property	-	1.1		(100%)
Deferred income tax effect of adjusting items:				
Impairment loss	(2.4)	(1.8)		33%
Current income tax adjusting item:				
Change in uncertain tax provision	2.3	-		100%
Deferred tax adjusting item:				
Tax loss utilization	-	(7.9)		(100%)
Adjusted net income attributable to stockholders (non-GAAP measure)	\$ 92.2	\$ 121.8		(24%)
Opening long-term debt	\$ 101.6	\$ 100.6		1%
Ending long-term debt	817.9	101.6		705%
Average long-term debt	\$ 459.8	\$ 101.1		355%
Opening stockholders' equity	\$ 689.6	\$ 686.3		0%
Ending stockholders' equity	714.7	689.6		4%
Average stockholders' equity	702.2	688.0		2%
Average invested capital	\$ 1,162.0	\$ 789.1		47%
Return on average invested capital ⁽¹⁾	5.7%	14.0%		-830 bps
ROIC (non-GAAP measure) ⁽²⁾	7.9%	15.4%		-750 bps

(1) Calculated as net income attributable to stockholders divided by average invested capital.

(2) Calculated as adjusted net income attributable to stockholders (non-GAAP measure) divided by average invested capital.

The adjusting items for the 12 months ended September 30, 2017 were:

Recognized in the second quarter of 2017

- \$4.8 million (\$4.8 million, or \$0.04 per diluted share) of stock option compensation expense related to the accelerated vesting of certain IronPlanet stock options assumed as part of the Merger
- \$9.1 million (\$6.6 million after tax, or \$0.06 per diluted share) of acquisition and finance structure advisory costs
- \$1.4 million (\$0.9 million after tax, or \$0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Merger
- An \$8.9 million (\$6.6 million after tax, or \$0.06 per diluted share) impairment loss recognized on various technology assets

Recognized in the first quarter of 2017

- A \$2.3 million (or \$0.02 per diluted share) charge related to the change in uncertain tax provisions

Recognized in the fourth quarter of 2016

- A \$6.8 million (\$5.0 million after tax, or \$0.05 per diluted share) charge related to the early termination of pre-existing debt

There were no adjusting items recognized in the third quarter of 2017.

The adjusting items for the 12 months ended September 30, 2016 were:

Recognized in the third quarter of 2016

- A \$28.2 million (\$26.4 million after tax, or \$0.25 per diluted share) impairment loss on EquipmentOne reporting unit goodwill and customer relationships

Recognized in the fourth quarter of 2015

- A \$8.4 million (\$7.3 million after tax, or \$0.07 per diluted share gain on the sale of excess property in Edmonton, Canada
- A \$7.9 million (or \$0.07 per diluted share) tax saving generated by tax loss utilization

There were no first or second quarter 2016 adjusting items.

There were no adjustments to debt at September 30, 2017 or 2016 as there was no long-term debt held in escrow at those reporting dates.