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 $2.2 billion of used equipment and other assets during the first half 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. 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, 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, and other equipment owners (such as rental companies). Our customers participate in a variety of sectors, including heavy construction, transportation, agriculture, energy, and mining.

Our Gross Auction Proceeds[1] ("GAP") represent the total proceeds from all items sold at our auctions and online marketplaces. Our GAP was $2.2 billion for the six months ended June 30, 2017, representing a 6% decrease from the same period in 2016. Of the total GAP sold in the first six months of 2017, $1.1 billion – or just over half of what we sold in the first half of 2017 – transacted through our online solutions; through online simulcast auction participation, through IronPlanet, or through EquipmentOne.

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 integrated on site and online 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.

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1 GAP is a measure of operational performance and not a measure of financial performance, liquidity, or revenue. It is not presented in our consolidated financial statements.

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 on site live 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 equipment sales platforms 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 can choose to dispose and/or buy equipment based on their individual needs are illustrated in the following table:

Channels	Brand Solutions	Description of Offering
Integrated On Site / Online Auction Network	RITCHIE BROS. Auctioneers	■ Live unreserved on site with live simulcast online auctions
	CAT Auctions	■ Event-based sales of used construction and heavy equipment held in the Caterpillar dealer geographies
	KRUSE ENERGY AUCTIONEERS on IronPlanet marketplace	■ Event-based sales of used energy equipment
Online Marketplaces	IRON PLANET	■ Online marketplace for selling and buying used equipment
	RITCHIE BROS. EQUIPMENT ONE	■ Online reserve marketplace
	GOV PLANET	■ Online marketplace for the sale of government and military assets
	TRUCK PLANET	■ Online truck and trailer marketplace
Online Listing Service	MASCUS	■ Online equipment listing service and B2B dealer portal
Brokerage Service	PRIVATE TREATY A Ritchie Bros. Solution	■ Confidential, negotiated sales

Asset distribution (transactional) services

Integrated on site/online auction network

Ritchie Bros. Auctioneers

Ritchie Bros. Auctioneers is one of our core businesses and provides live unreserved auction services to equipment sellers and buyers. Adherence to the unreserved auction process is one of our founding principles and we believe one of our most significant competitive advantages.

Our bidders participate in our live auctions in person, through real-time online bidding, or by proxy. During the six months ended June 30, 2017, approximately half of all equipment buyers at our live auctions made their purchases through online bidding. Equipment to be sold in Ritchie Bros.' auctions is held at one of our secure auctions sites worldwide, and a significant percentage of online bidders visit our physical auction sites prior to the auction or send a mechanic or third party inspector in advance, to test and inspect the equipment being sold.

Our ability to consistently draw significant numbers of local and international bidders, most of whom are end users rather than resellers, from many different regions to our auctions ensures our consignors receive global market value for their equipment. Higher consignment volumes attract more bidders, which in turn attract more consignments, in a self-reinforcing process that has helped us to achieve a history of significant GAP growth and momentum.

Cat® Auctions

Cat Auctions is an alliance for event-based sales of used Caterpillar construction and heavy equipment sold by independent Cat® dealers and typically hosted on their yards. Cat Auctions offers a live, event-based auction with simultaneous online bidding, as well as a single-seller format. For these dealer-based sales, we utilize an innovative leaderboard, inspection reports, comprehensive photos and videos, equipment protection plans, and equipment financing. The Alliance provides that Caterpillar will designate us as a ''preferred'' but nonexclusive provider for on site and online auctions and marketplaces in the countries where we do business in exchange for access to certain data and information.

Kruse Energy

Kruse Energy & Equipment Auctioneers, LLC ("Kruse Energy") is our brand for live, event-based sales dedicated to used energy equipment, including oil and gas. This brand offers live auctions with simultaneous online bidding, as well as a single-seller format. Kruse Energy has conducted energy auctions in the United States for the past 25 years. In addition to its skilled auction team, Kruse Energy offers private sales and appraisal services.

Online marketplaces

IronPlanet

IronPlanet is our premier brand for online-only sales of used construction and heavy equipment. IronPlanet offers weekly unreserved auctions, as well as reserve price, buy now, make offer, and private-label formats. 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. Through this business model, sellers do not need to move equipment to a physical auction site. IronPlanet connects sellers and buyers of used equipment with its equipment condition certification program – the exclusive IronClad Assurance program – which ensures the inspection report delivered to potential buyers is a fair representation of the equipment, enabling buyers to make purchases with a high degree of confidence. IronPlanet focuses largely on the needs of corporate accounts, original equipment manufacturers, dealers and government entities.

EquipmentOne

Ritchie Bros. launched EquipmentOne to cater to a complementary segment of the used equipment transaction market that prefers to retain control over the sales process, while potentially taking on more effort. Through EquipmentOne, equipment sellers can list their equipment on the online marketplace, receive and accept offers, and complete and settle their sale. This brand solution also effectively meets the needs of large fleet owners who want to transact when they want, and only if a certain price point is achieved.

EquipmentOne is a secure online marketplace that equipment sellers can navigate independently, while still leveraging our trusted brand and transaction processing. EquipmentOne facilitates the completion of sales through a settlement process managed by EquipmentOne that protects both the seller and the buyer. In February 2016, we expanded our EquipmentOne offering from the United States into Canada.

GovPlanet

GovPlanet is our online marketplace dedicated to buying and selling used government surplus, federal, state and municipal assets. Through GovPlanet, government sellers are provided the ability to maximize revenue through various remarketing channels, while buyers gain access to global government surplus inventories. Sellers and buyers can manage their fleet assets more cost effectively and efficiently than via traditional physical auctions, and do so on their own timelines. GovPlanet is the primary marketplace for the sale of U.S. Department of Defense rolling stock surplus assets.

TruckPlanet

TruckPlanet is our premier online marketplace for buying and selling used commercial trucks and trailers. TruckPlanet offers truck fleet managers a consistent and flexible solution for quickly dispersing fleets without the time and costs associated with traditional physical auctions. Inspection reports issued under our equipment condition certification program enable buyers to make purchases with a high degree of confidence. Sellers achieve profitable sales through low transaction costs and better price realization with a global audience of buyers.

Ritchie Bros. Private Treaty

In 2015, Ritchie Bros. launched our private brokerage service for highly specialized assets, wherein we act as a private sales agent/broker, leveraging our global customer base and extensive heavy industry knowledge to conduct negotiated sales of specialized and high-value equipment items between sellers and buyers (our "Private Treaty" business). Under this service offering, the seller sets the price and the completion timeline. To earn our commission from rendering private brokerage services, we manage the sales process in accordance with the seller's terms, including marketing the equipment to a small pool of highly targeted likely buyers and settling the sale. With over 50 years of experience, Ritchie Bros. has the connections and expertise to identify and target the most qualified buyers from around the world for sellers' assets. Our Private Treaty business transacts primarily on our online marketplaces.

Other services

Online listing service

Mascus

Mascus is an online equipment listing service for used heavy machinery and trucks, with a global presence and a leading market position in Europe. Mascus offers subscriptions to equipment dealers, brokers, exporters and equipment manufacturers to list equipment available for sale at a listed price. Through Mascus, we provide online advertising services, business tools and solutions to many of the world's leading equipment dealerships and equipment manufacturers. Unlike other solutions provided by Ritchie Bros., Mascus does not transact sales and, as such, does not generate GAP; rather, it earns a listing fee for the equipment it lists on its site.

Support businesses

Ritchie Bros. Financial Services

RBFS originates loans for equipment buyers in the United States and Canada, including those purchasing equipment through our auctions and other sales formats. This business acts as a loan originator via a brokerage model — matching loan applicants with appropriate financial lending institutions (we do not act as a lender or otherwise utilize our balance sheet for RBFS loans). RBFS generates revenue through both brokerage fees – the net present value of the spread between wholesale rates offered to us and the retail rates provided to customers – and administrative fees.

Xcira

Xcira, now 75% owned by Ritchie Bros., is a long-time supplier of ours. Xcira supplies us with its technology platform and its online auction simulcast technology, an integral part of our auction services. Xcira also licenses its technology solutions and platforms to other (non-industrial) auction companies, such as Christie's and Insurance Auto Auctions. Xcira's revenue is generated through contracts for services with these and many other auction companies.

Asset Appraisal Services

Through our Asset Appraisal Services business, we offer unbiased, certified appraisal services across all asset classes, as well as truck and lease return inspection services. In addition, our sales force and pricing team provide sellers with pricing estimates based on current market conditions, as well as with marketplace data, as analyzed by our proprietary pricing database and analytics tool.

Overview

The following discussion and analysis summarizes significant factors affecting our consolidated operating results and financial condition for the three and six months ended June 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 GAP, Gross Transaction Value ("GTV") (described below), and Gross Merchandise Volume ("GMV") (described below) – which are measures of operational performance and not measures of financial performance, liquidity, or revenue – the amounts discussed below are based on our consolidated financial statements and are presented in U.S. dollars. Unless indicated otherwise, all tabular dollar amounts, including related footnotes, presented below are expressed in thousands of dollars.

We make reference to 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.

Consolidated Highlights

Key second quarter 2017 financial results include:

- Second quarter 2017 revenues increased 5% to $166.2 million compared to the second quarter of 2016, primarily due to the acquisition of IronPlanet
- Record second quarter 2017 Revenue Rate (described below) of 13.22%, driven mostly by the Merger and the performance of our value-added service offerings

- Diluted earnings per share ("EPS") attributable to stockholders of $0.16 in the second quarter of 2017; diluted adjusted EPS attributable to stockholders[2] (non-GAAP measure) of $0.33
- $114.7 million of net cash provided by operating activities in the first half of 2017
- Declared quarterly dividend of $0.17 per common share
- Second quarter 2017 GAP of $1.3 billion, a 1% decrease compared to the second quarter of 2016

Strategy

Our strategy is to become a one-stop, multichannel company where customers can buy, sell, or list equipment, when, how, and where they choose. The following discussion highlights the areas of focus of our 2017 strategic drivers, ***Grow, Drive, and Optimize***:

GROW Revenues and Net Income

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.

Commissions from sales at our auctions represent the percentage we earn on GAP. GAP represents the total proceeds from all items sold at our auctions and the GTV[3] and GMV[4] of all items sold through our online marketplaces. GTV represents total proceeds from all items sold at our EquipmentOne online marketplaces, as well as a buyer's premium component applicable only to our EquipmentOne online marketplace transactions. GMV represents total proceeds from all items sold at our IronPlanet online marketplaces. The majority of commissions are earned as a pre-negotiated fixed rate of the gross selling price. Other commissions are earned from underwritten commission contracts, when we guarantee a certain level of proceeds to a consignor or purchase inventory to be sold at auction. We believe that revenues are best understood by considering their relationship to GAP. We use Revenue Rate, which is calculated by dividing revenues by GAP, to determine the amount of GAP changes that flow through to our revenues.

Our revenues in the first half of 2017 remained consistent with those in the first half of 2016, primarily due to the Merger, with IronPlanet contributing $10.9 million of revenues from May 31, 2017 through June 30, 2017. Excluding IronPlanet's contribution to revenues, our revenues for the first half of 2017 decreased 4% compared to the first half of 2016, primarily due to a decrease in GAP over the same comparative period. This decrease was partially offset by our record first half Revenue Rate in 2017. Changes in our Revenue Rate are driven by fluctuations in the commissions we charge on GAP, the volume of our underwritten business, and our fee revenues, which are not directly linked to GAP. The increase in Revenue Rate of 81 basis points ("bps") from 12.67% in the first half of 2016 to 13.48% in the first half of 2017 was primarily the result of the Merger and the performance of our value-added services`.

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2 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 7), 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.

3 We refer to GAP generated through our EquipmentOne online marketplaces (including SalvageSale) as GTV. In addition to the total value of the items sold in online marketplace transactions, GTV includes a buyers' premium component applicable only to our EquipmentOne online marketplace transactions. As is the case with GAP, GTV is a measure of operational performance and not a measure of our financial performance, liquidity or revenue. GTV is not presented in our consolidated income statements.

4 We refer to GAP generated through IronPlanet online marketplaces (including GovPlanet and TruckPlanet) as GMV. As is the case with GAP, GMV is a measure of operational performance and not a measure of our financial performance, liquidity or revenue. GMV is not presented in our consolidated income statements.

On a U.S. dollar basis, the proportion of GAP earned in the United States (55% of total GAP) grew in the first half of 2017 compared to the first half of 2016 (50% of total GAP) primarily due to the Merger. The proportion of revenues attributable to the United States also grew by 290 bps to 52% in the first half of 2017 compared to 49% the first half of 2016. Foreign exchange rates had a negative impact on our first half 2017 operating income. Refer to the table under "Translational impact of foreign exchange rates" under "Year-to-Date Performance" below for details of the foreign exchange rate impact.

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:

- Integrating IronPlanet's operations following completion of the Merger to expand the disposition channels for sellers;
- Growing our international business with the promotion of Karl Werner, effective April 1, 2017, to President, International to oversee all regions outside of North America and Latin America;
- Continuing to build our Private Treaty capability;
- Growing our agricultural sector by holding our first on-the-farm auctions in the United States;
- Expanding the volume of EquipmentOne's Enterprise Software Solution and IronPlanet's Asset Management Portal;
- Providing customers with a single view across our multichannel offerings to enhance their experience; and
- Expanding our financial services business, RBFS, into other geographies and to a broader customer base accessible through the brand solutions we gained with the Merger.

Mergers and acquisitions ("M&A")

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. Through the Merger, we are accelerating this strategy and taking positive and meaningful steps towards meeting our stated M&A objectives, which include:

- adding multi-channel solutions for equipment sellers;
- adding scale and sales volume to our core businesses; and
- securing a 'needle-moving' transaction that could significantly bolster the scope and offering of our business.

The Merger is a 'needle-moving' 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 integration of IronPlanet will provide us with increased earnings and growth through:

- global expansion of IronPlanet's unique online sale solutions;
- the Cat Auctions brand combined with the Alliance;
- the offering of online reserved auction services, which appeal to a different set of buyers and sellers than our traditional selling format;
- increased access to sectors we have not traditionally targeted, such as government surplus and energy; and
- our ability to expand our financial services business, RBFS, to a broader customer base.

Caterpillar strategic alliance

During the second quarter of 2017, the Alliance – which is for an initial period of five years – took effect. Under the Alliance, we became Caterpillar's preferred global partner for live on site and online auctions for used Caterpillar equipment, which we expect will help us achieve growth in our revenues and net income. We will provide Caterpillar and its dealers with access to proprietary, global auction and marketplace platforms, software, and other value-added services, enhancing the exchange of information and services between customers, dealers, and suppliers. We will also continue to coordinate and manage Caterpillar auctions in respective Caterpillar dealer geographies.

DRIVE Efficiencies and Effectiveness
In the first half of 2017, we successfully launched another 'quick win' project that was a collaborative effort between our operations, finance, and information technology personnel. The result was further integration of our operation and finance systems with respect to processing invoices, enabling us to deliver an improved customer experience. The project qualified as a 'quick win' due to the minimal capital expenditure that was required, the short implementation timeframe, and the significant efficiencies gained in our post-sale processes.

Also during the first half of 2017, we continued evaluating 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 second quarter 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.

We continued to be diligent in our valuation of equipment and approach towards entering into underwritten commission contracts during the first half of 2017, especially in sectors that continue to experience pressure, including oil and gas and transportation.

Immediately following the Merger, we combined the sales forces of Ritchie Bros. and IronPlanet in the United States, Canada, and Europe, in line with our strategy to provide customers with a one-stop, multichannel experience. Territory and Strategic Account Managers are now positioned as solution sellers, offering customers three main product offerings: Ritchie Bros. Auctioneers integrated unreserved on site auctions, IronPlanet weekly featured auctions, and reserved online auctions.

We will continue to take advantage of opportunities to improve the overall effectiveness of our organization by enhancing sales productivity, modernizing and integrating our legacy information technology systems, and optimizing business processes. With respect to sales productivity, we are driving for:

- Improved tools to track opportunities and pipeline
- Improved lead generation
- Improved sales management reporting to assist with performance management
- Execution of our 'CLAW' strategy as it pertains to customers: ***Convert, Loyalty, Acquire, and Win-back***
- Territory optimization

Marketplace E
Later this year, we will combine our online EquipmentOne brand with the IronPlanet DailyMarketplace, creating a harmonized brand offering called Marketplace E that gives customers more ways to set reserve pricing and expands our growth capabilities in the oil and gas and government sectors.

OPTIMIZE our Balance Sheet
We paid dividends during the first half of 2017, returning $36.3 million to stockholders as we executed on our capital allocation strategy. We also managed our net capital spending such that it remains well below our target of 10% of our revenues on a trailing 12-month basis. We calculate the GAAP measure, net capital spending, directly from consolidated statement of cash flows by adding property, plant and equipment additions to intangible asset additions, and subtracting proceeds on disposition of property, plant and equipment.

During the second quarter of 2017, we executed a series of cash management strategies that enabled us to effectively manage our debt levels while funding the Merger and paying dividends.

Used Equipment Market Update

Supply volume

During the first half 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, various dealers being understock, and rental business volumes reaching peak levels. Likewise, commodity price improvements lead to fewer disposals of oil and gas assets in Western Canada. We believe these supply volume constraints contributed to our decrease in GAP and volume of underwritten commission contracts in the first half of 2017 compared to the first half of 2016.

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.

Pricing

Overall, we saw improvement in used equipment market pricing during the first half of 2017; a continuation of the marginal improvement that we first observed at the end of the third quarter, and throughout the fourth quarter, of 2016. This pricing performance varied among asset sectors and geographies.

Construction assets continued to perform well during the first half of 2017, with late model equipment experiencing the most pricing improvement, representative of the tightening equipment supply in North America. 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 the first half of 2017. However, in Canada, agricultural tractors experienced some meaningful pricing improvement. We believe the difference in used agricultural equipment pricing between Canada and the United States is due mostly to the types of machinery used in farming practices, the kinds of crops being harvested, and the Canadian dollar relative to the value of the U.S. dollar, which new equipment is often priced at. Some oil and gas equipment experienced price improvement for the first time in many quarters, 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 the first half of 2017, responding most favorably to changes in commodity pricing and the overall economic environment. Australia responded favorably to the commodity price improvement that occurred in the latter half of 2016 and continued into the first half of 2017, experiencing some uplift in the value of assets tied to commodities.

Results of Operations
Second Quarter Update

Financial overview	Three months ended June 30,		
			Change
(in U.S. $000's, except EPS)	2017	2016	2017 over 2016
Revenues	$ 166,186	$ 158,805	5%
Costs of services, excluding depreciation and amortization	21,591	19,758	9%
Selling, general and administrative expenses	74,377	73,992	1%
Acquisition-related costs	22,948	603	3706%
Depreciation and amortization expenses	11,872	10,284	15%
Gain on disposal of property, plant and equipment	(308)	(201)	53%
Impairment loss	8,911	-	100%
Foreign exchange loss (gain)	(93)	734	(113%)
Operating income	26,888	53,635	(50%)
Operating income margin	16.2%	33.8%	-1760 bps
Other income (expense)	(5,150)	173	(3077%)
Income tax expense	4,025	13,217	(70%)
Net income attributable to stockholders	17,635	39,710	(56%)
Diluted EPS attributable to stockholders	$ 0.16	$ 0.37	(57%)
Effective tax rate	18.5%	24.6%	-610 bps
GAP	$ 1,257,430	$ 1,275,682	(1%)
Revenue Rate	13.22%	12.45%	77 bps

Gross Auction Proceeds

GAP was $1.3 billion for the three months ended June 30, 2017, a 1% decrease over the second quarter of 2016. Included in our second quarter 2017 GAP is $76.8 million of GMV from IronPlanet and $55.3 million of GTV from our EquipmentOne online marketplaces. The second quarter 2017 EquipmentOne GTV represents a 33% increase over GTV of $41.6 million in the second quarter of 2016.

Second quarter 2017 GMV includes $3.1 million of assets that transacted on a dealer-to-dealer basis through IronPlanet post-acquisition. Revenues earned on those dealer-to-dealer transactions were $0.1 million in the second quarter of 2017, post-acquisition. Second quarter 2017 GTV includes $10.7 million of assets that transacted on a dealer-to-dealer basis on EquipmentOne's online marketplaces, compared to $7.4 million in the second quarter of 2016. Revenues earned on these dealer-to-dealer transactions were $0.3 million in the second quarter of 2017 compared to $0.2 million in the second quarter of 2016.

During the second quarter of 2017, 76% of our GAP was attributable to auctions held at our permanent and regional auction sites, including those located in frontier regions, compared to 81% in the second quarter of 2016. We held 157 on site auctions in the second quarter of 2017, compared to 143 in the second quarter of 2016. The proportion of GAP earned at those sites decreased over the same comparative period.

The decrease in GAP during the second quarter of 2017 compared to the second quarter of 2016 is primarily due to a decrease in the number of Core Auction reportable segment (industrial and agricultural auction) lots over the same comparative period. The total number of Core Auction segment lots decreased 2% to 125,800 in the second quarter of 2017 from 128,300 in the second quarter of 2016. In addition, Core Auction segment GAP (which is total GAP excluding IronPlanet's GMV and EquipmentOne's GTV), decreased 7% on a per-lot basis to $9,000 in the second quarter of 2017 from $9,700 in the second quarter of 2016.

GAP, on a U.S. dollar basis, decreased in Canada in the second quarter of 2017 compared to the second quarter of 2016, primarily due to continued pressure on used equipment market supply volume and performance of the agricultural business. GAP in the United States remained consistent over the same comparative period, primarily due to the addition of GMV through the Merger. Although GAP grew in Europe in the second quarter of 2017 compared to the second quarter of 2016, this growth was partially offset by reductions in GAP in the rest of the world over the same comparative period. Foreign exchange rates did not have a significant impact on GAP in the second quarter of 2017.

During the second quarter of 2017, we continued to actively pursue the use of underwritten commission contracts from a strategic perspective, and when the opportunity arose, only entering such contracts when the risk/reward profile of the terms were agreeable. The volume of underwritten commission contracts decreased to 17% of our GAP in the second quarter of 2017 from 26% in the second quarter of 2016, primarily due to the pressure on used equipment market supply volume. The tight supply of used equipment resulted in less opportunity for us to pursue underwritten commission contracts. Straight commission contracts continue to account for the majority of our GAP.

Revenues and Revenue Rate

(in U.S. $000's)	Three months ended June 30,				
					Better/(Worse)
		2017		2016	2017 over 2016
United States	$	74,257	$	68,724	8%
Canada		62,057		63,307	(2%)
Europe		17,634		14,861	19%
Other		12,238		11,913	3%
Revenues	$	166,186	$	158,805	5%

Our commission rate and overall Revenue Rate are presented in the graph below:

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 June 30, 2017	37%	63%	45%	11%	7%
Three months ended June 30, 2016	40%	60%	43%	9%	8%

Revenues increased 5% in the second quarter of 2017 compared to the second quarter of 2016, primarily due to the Merger and IronPlanet's contribution of $10.9 million of consolidated revenues in June 2017. Excluding IronPlanet revenues, revenues decreased 2% in the second quarter of 2017 compared to the second quarter of 2016, primarily due to lower auction volumes and GAP. This decrease was partially offset by a stronger Revenue Rate over the same comparative period. Included in second quarter 2017 revenues were $5.0 million of revenues from EquipmentOne, which represents an 18% increase over EquipmentOne revenues of $4.2 million in the second quarter of 2016.

Our Revenue Rate increased 77 bps to 13.22% in the second quarter of 2017 compared to 12.45% in the second quarter of 2016. The increase in Revenue Rate was primarily due to the Merger and IronPlanet's contributed GMV and revenue, as well as performance of our value-added service offerings.

Our second quarter 2017 overall average commission rate was 9.57%, compared to 9.26% in the second quarter of 2016. This increase was primarily due to the Merger and the healthy commission rate performance contributed by IronPlanet, as well as the continued strong performance of our straight and underwritten contract commission rates during the three months ended June 30, 2017 compared to the same period in 2016.

Fee revenue earned in the second quarter of 2017 represented 3.64% of GAP compared to 3.18% of GAP in the second quarter of 2016. The increase was primarily due to the Merger and fee revenue from IronPlanet online marketplace sales, as well as an increase in financing and other fees resulting from improved performance of our value-added service offerings. This increase was partially offset by a decrease in auction fees resulting from the mix of equipment sold at our auctions. IronPlanet contributed $5.4 million of fee revenue in June 2017. Financing fees from RBFS increased 33% to $4.8 million in the second quarter of 2017 from $3.6 million in the second quarter of 2016. Subscription, license, and other fee revenues from Mascus increased 13% to $2.3 million in the second quarter of 2017 from $2.0 million in the second quarter of 2016.

Revenue grew in the United States and Europe during the three months ended June 30, 2017 compared to the same period in 2016, primarily due to the Merger for the United States growth and due to GAP growth and a strong Revenue Rate in Europe. Comparatively, revenues in Canada decreased in the second quarter of 2017 compared to the second quarter of 2016, primarily due to the decrease in GAP in that region. Revenue grew in the rest of the world during the three months ended June 30, 2017 compared to the same period in 2016, primarily due to strong Revenue Rates. Foreign exchange rates did not have a significant impact on revenues in the second quarter of 2017.

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 expenses.

Costs of services increased $1.8 million or 9% in the second quarter of 2017 compared to the second quarter of 2016, primarily due to the Merger. Excluding IronPlanet's contribution, costs of services decreased 5% over the same comparative period. Costs of services related to our Core Auction segment were $18.0 million, or 1.60% of Core Auction segment GAP in the second quarter of 2017 compared to $19.4 million, or 1.58% of Core Auction segment GAP, in the second quarter of 2016. This decrease is primarily due to an increase in our Private Treaty business, which requires less costs to generate revenues compared to our traditional on site auction business, combined with a decrease in the number of lots in the second quarter of 2017 compared to the second quarter of 2016.

Selling, general and administrative expenses

Selling, general and administrative ("SG&A") expenses by nature are presented below:

(in U.S. $000's)	Three months ended June 30,		% Change
	2017	2016	2017 over 2016
Employee compensation	$ 47,405	$ 46,989	1%
Buildings, facilities and technology	13,319	12,969	3%
Travel, advertising and promotion	6,201	6,792	(9%)
Professional fees	3,224	3,083	5%
Other SG&A expenses	4,228	4,159	2%
	$ 74,377	$ 73,992	1%

Our SG&A expenses increased $0.4 million, or 1%, in the second quarter of 2017 compared to the second quarter of 2016, primarily due to the Merger and the resulting $5.4 million of SG&A expenses contributed by IronPlanet in June 2017. Excluding IronPlanet, SG&A expenses decreased 7% over the same comparative period. Foreign exchange rates did not have a significant impact on SG&A expenses in the second quarter of 2017.

Employee compensation expenses increased $0.4 million in the second quarter of 2017 compared to the second quarter of 2016, primarily due to the $3.6 million contributed by IronPlanet in June 2017. Excluding IronPlanet, employee compensation costs decreased $3.2 million over the same comparative period. The primary driver of the decrease was a $4.5 million decrease in SG&A expense share-based payments, partially offset by the 5% net growth of our headcount – excluding Xcira, Mascus, and IronPlanet employees – between June 30, 2016 and June 30, 2017.

The decrease in SG&A expense share-based payments over the same comparative period was primarily due to a $4.6 million mark-to-market fair value decrease in our liability-classified share units. The mark-to-market fair value decrease was driven by the performance of our common share price over the previous reporting period. Our share price closed at $28.74 per common share on June 30, 2017, a decrease from the $32.90 per common share on March 31, 2017. Comparatively, our share price closed at $33.78 per common share on June 30, 2016, an increase from the $27.08 per common share on March 31, 2016. $1.6 million of the mark-to-market fair value decrease relates to 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"). The CEO SOG PSUs were modified on May 1, 2017 from liability-classified to equity-classified. Post-modification, these awards are no longer subject to quarterly mark-to-market fair value fluctuations.

Travel, advertising and promotion decreased $0.6 million in the second quarter of 2017 compared to the second quarter of 2016. This decrease was primarily due to a 2016 strategic increase in advertising and promotional expenditure targeted at our larger auction events, including our participation in a triennial tradeshow in the second quarter of 2016. The decrease was partially offset by the Merger, with IronPlanet contributing $0.8 million of costs in June 2017.

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, as well as stock option compensation expenses resulting from accelerated vesting of options assumed as part of the Merger, and travel and securities filing fees.

Second quarter 2017 acquisition-related costs consisted of $22.2 million associated with the Merger, which consist primarily of $9.1 million of non-recurring acquisition and finance structure advisory fees, $4.8 million of stock option compensation expenses resulting from accelerated vesting of options assumed as part of the Merger, $3.5 million of legal fees related to the regulatory approval process and closing of the transaction, $1.4 million of severance and retention costs that followed the Merger in the resulting corporate reorganization, and various integration costs.

Impairment loss

During the three months ended June 30, 2017, management identified indicators of impairment on certain software and software under development intangible assets (the "technology assets"). The indicators consisted of decisions made after the acquisition of IronPlanet that resulted in a significant adverse change in the extent or manner in which the technology assets would be used or continue to be developed in the future, as well as expectations that it was more likely than not that we would discontinue use of the technology assets before the end of their previously estimated useful lives. Accordingly, management performed an impairment test and concluded that those technology assets should be written off in their entirety, which resulted in the recognition of an impairment loss of $8.9 million.

Operating income

Operating income decreased $26.7 million, or 50%, to $26.9 million in the second quarter of 2017 compared to $53.6 million in the second quarter of 2016. This decrease was primarily due to the increase in acquisition-related costs and the impairment loss, partially offset by the increase in revenues over the same comparative period. Adjusted operating income[5] (non-GAAP measure) decreased $2.6 million, or 5%, to $51.1 million in the second quarter of 2017 compared to $53.6 million in the second quarter of 2016.

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

Primarily for the same reasons noted above, operating income margin, which is our operating income divided by revenues, decreased 1760 bps to 16.2% in the second quarter of 2017 compared to 33.8% in the second quarter of 2016. Adjusted operating income margin[6] (non-GAAP measure) decreased 310 bps to 30.7% in the second quarter of 2017 from 33.8% in the second quarter of 2016.

Other income (expense)

Other income (expense) is comprised of the following:

(in U.S. $000's)	Three months ended June 30,		
			% Change
	2017	2016	2017 over 2016
Interest income	$ 987	$ 487	103%
Interest expense	(8,620)	(1,060)	713%
Equity income	4	477	(99%)
Other, net	2,479	269	822%
Other income (expense)	$ (5,150)	$ 173	(3077%)

We incurred substantial indebtedness in connection with the Merger. As of June 30, 2017, our debt was $828.4 million, consisting of $14.1 million in revolving loans, $332.4 million in delayed draw term loans reduced by $4.5 million of unamortized debt issue costs, and $500.0 million of senior unsecured notes (the “Notes”) reduced by $13.5 million of unamortized debt issue costs.

When we completed our offering of the Notes on December 21, 2016, the proceeds from the offering were held in escrow until completion of the IronPlanet acquisition. On that date, we prepaid $6.7 million of interest on the Notes then being held in escrow, which represented interest for the first quarter of 2017. That interest was also held in escrow with the proceeds from the offering.

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5 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.

6 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.

On May 31, 2017, the proceeds and prepaid interest on the Notes were released from escrow. The proceeds from the offering were used to finance the Merger. The prepaid interest on the Notes that was returned to us was deposited into an interest-bearing bank account and held in that bank account until the interest on the Notes fell due on July 15, 2017.

The increase in interest income in the second quarter of 2017 compared to the second quarter of 2016 was primarily due to the interest earned on the funds released from escrow that were held in an interest-bearing bank account from May 31, 2017 until June 30, 2017. The increase in interest expense in the second quarter of 2017 compared to the second quarter of 2016 is primarily due to $6.8 million of interest on the Notes. Refer to "Liquidity and Capital Resources" below for a more detailed discussion of the Notes.

$1.2 million of the increase in 'other, net' in the second quarter of 2017 compared to the second quarter of 2016 is due to changes in the fair value of contingent consideration associated with our Petrowsky and Mascus acquisitions.

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. 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.

For the three months ended June 30, 2017, income tax expense was $4.0 million, compared to an income tax expense of $13.2 million for the same period in 2016. Our effective tax rate was 18.5% in the second quarter of 2017, compared to 24.6% in the second quarter of 2016. The decrease in effective tax rate over this comparative period was primarily due to a greater proportion of earnings taxed in jurisdictions with lower tax rates.

Net income

Net income attributable to stockholders decreased $22.1 million, or 56%, to $17.6 million in the second quarter of 2017 compared to $39.7 million in the second quarter of 2016. This decrease is primarily due to the increase in acquisition-related costs, the impairment loss, and interest expense, partially offset by the decrease in income tax expense and increase in revenues over the same comparative period. Adjusted net income attributable to stockholders[7] (non-GAAP measure) decreased $3.3 million, or 8%, to $36.4 million in the second quarter of 2017 from $39.7 million in the second quarter of 2016.

Primarily for the same reasons noted above, net income decreased $22.9 million, or 56%, to $17.7 million in the second quarter of 2017 from $40.6 million in the second quarter of 2016. Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")[8] (non-GAAP measure) increased $0.8 million, or 1%, to $65.4 million in the second quarter of 2017 from $64.7 million in the second quarter of 2016.

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7 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.

8 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.

Primarily for the same reasons noted above, net income margin, which is our net income divided by our revenues, decreased 1490 bps to 10.7% in the second quarter of 2017 from 25.6% in the second quarter of 2016. Adjusted EBITDA margin[9] (non-GAAP measure) decreased 130 bps to 39.4% in the second quarter of 2017 from 40.7% in the second quarter of 2016.

Diluted EPS

Diluted EPS attributable to stockholders decreased 57% to $0.16 per share in the second quarter of 2017 from $0.37 per share in the second quarter of 2016. This decrease is primarily due to the decrease in net income attributable to stockholders, combined with a 1,258,850 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 assumption of IronPlanet stock options, as well as the modification of certain share units from liability-classified to equity-classified in May 2016 and the modification of the CEO SOG PSUs in May 2017. Diluted adjusted EPS attributable to stockholders (non-GAAP measure) decreased 11% to $0.33 per share in the second quarter of 2017 from $0.37 per share in the second quarter of 2016.

9 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.

Year-to-Date Performance

Financial overview	Six months ended June 30,		
			Change
(in U.S. $000's, except EPS)	2017	2016	2017 over 2016
Revenues	$ 290,685	$ 290,750	-
Costs of services, excluding depreciation and amortization	34,404	35,071	(2%)
Selling, general and administrative expenses	144,952	141,102	3%
Acquisition-related costs	31,575	1,800	1654%
Depreciation and amortization expenses	22,210	20,364	9%
Gain on disposal of property, plant and equipment	(1,029)	(447)	130%
Impairment loss	8,911	-	100%
Foreign exchange loss (gain)	(823)	51	(1714%)
Operating income	50,485	92,809	(46%)
Operating income margin	17.4%	31.9%	-1450 bps
Other income (expense)	(10,999)	525	(2195%)
Income tax expense	11,340	22,749	(50%)
Net income attributable to stockholders	28,012	69,116	(59%)
Diluted EPS attributable to stockholders	$ 0.26	$ 0.65	(60%)
Effective tax rate	28.7%	24.4%	430 bps
GAP	$ 2,156,840	$ 2,295,604	(6%)
Revenue Rate	13.48%	12.67%	81 bps

Gross Auction Proceeds

GAP was $2.2 billion for the first half of 2017, a 6% decrease over the first half of 2016. Included in our first half 2017 GAP is $76.8 million of GMV from IronPlanet and $93.9 million of GTV from our EquipmentOne online marketplaces. The first half 2017 EquipmentOne GTV represents a 44% increase over GTV of $65.3 million in the first half of 2016.

First half 2017 GMV includes $3.1 million of assets that transacted on a dealer-to-dealer basis through IronPlanet post-acquisition. Revenues earned on those dealer-to-dealer transactions were $0.1 million in the first half of 2017, post-acquisition. First half 2017 GTV includes $21.3 million of assets that transacted on a dealer-to-dealer basis on EquipmentOne's online marketplaces, compared to $7.4 million in the first half of 2016. This increase was primarily due to EquipmentOne's Enterprise Software Solution not being launched until April 2016. Revenues earned on these dealer-to-dealer transactions were $0.4 million in the first half of 2017 compared to $0.2 million in the first half of 2016.

During the first half of 2017, 82% of our GAP was attributable to auctions held at our permanent and regional auction sites, including those located in frontier regions, compared to 86% in the first half of 2016. We held 218 on site auctions in the first half of 2017, compared to 194 in the first half of 2016. The proportion of GAP earned at those sites decreased over the same comparative period.

The decrease in GAP during the first half of 2017 compared to the first half of 2016 is primarily due to a decrease in the number of Core Auction segment lots and changes in our auction calendar over the same comparative period. The total number of Core Auction segment lots decreased 5% to 214,900 in the first half of 2017 from 225,500 in the first half of 2016. In addition, Core Auction segment GAP decreased 6% on a per-lot basis to $9,300 in the first half of 2017 from $9,900 in the first half of 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 GAP, with no similar auction on the calendar in the first half of 2017.

GAP, on a U.S. dollar basis, decreased in Canada – and most significantly in Western Canada – in the first half of 2017 compared to the first half of 2016, primarily due to the aforementioned auction calendar changes and pressure on used equipment market supply volume. Although GAP grew in the United States and Europe in the first half of 2017 compared to the first half of 2016, this growth was offset by reductions in GAP in the rest of the world over the same comparative period. Foreign exchange rates did not have a significant impact on GAP in the first half of 2017.

The volume of underwritten commission contracts decreased to 16% of our GAP in the first half of 2017 from 25% in the first half of 2016, primarily due to the pressure on used equipment market supply volume. The tight supply of used equipment resulted in less opportunity for us to pursue underwritten commission contracts. Straight commission contracts continue to account for the majority of our GAP.

Revenues and Revenue Rate

(in U.S. $000's)	Six months ended June 30,				
					Better/(Worse)
		2017		2016	2017 over 2016
United States	$	151,917	$	143,492	6%
Canada		87,603		95,554	(8%)
Europe		30,296		26,404	15%
Other		20,869		25,300	(18%)
Revenues	$	290,685	$	290,750	-

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
Six months ended June 30, 2017	30%	70%	52%	10%	8%
Six months ended June 30, 2016	33%	67%	49%	9%	9%

Revenues remained consistent in the first half of 2017 compared to the first half of 2016, primarily due to the Merger and IronPlanet's contribution of $10.9 million of consolidated revenues in June 2017. Excluding IronPlanet revenues, revenues decreased 4% in the first half of 2017 compared to the first half of 2016, primarily due to lower auction volumes and GAP. This decrease was partially offset by a stronger Revenue Rate over the same comparative period. Included in first half 2017 revenues were $9.5 million of revenues from EquipmentOne, which represents a 26% increase over EquipmentOne revenues of $7.6 million in the first half of 2016.

Our Revenue Rate increased 81 bps to 13.48% in the first half of 2017 compared to 12.67% in the first half of 2016. The increase in Revenue Rate was primarily due to the Merger and IronPlanet's contributed GMV and revenue, as well as performance of our value-added service offerings.

Our overall average commission rate was 9.84% for the first half of 2017, compared to 9.50% in the first half of 2016. This increase was primarily due to the Merger and the healthy commission rate performance contributed by IronPlanet, as well as the continued strong performance of our straight and underwritten contract commission rates during the six months ended June 30, 2017 compared to the same period in 2016.

Fee revenue earned in the first half of 2017 represented 3.63% of GAP compared to 3.17% of GAP in the first half of 2016. The increase was primarily due to the Merger and fee revenue from IronPlanet online marketplace sales, as well as an increase in financing and other fees resulting from improved performance of our value-added service offerings. This increase was partially offset by a decrease in auction fees resulting from the mix of equipment sold at our auctions. IronPlanet contributed $5.4 million of fee revenue in June 2017. Financing fees from RBFS increased 33% to $8.1 million in the first half of 2017 from $6.1 million in the first half of 2016. Subscription, license, and other fee revenues from Mascus increased 35% to $4.5 million in the first half of 2017 from $3.3 million in the first half of 2016.

Revenue grew in the United States and Europe in the first half of 2017 compared to the first half of 2016, primarily due to the Merger for the United States growth and due to GAP growth and a strong Revenue Rate in Europe. Comparatively, revenues in Canada and the rest of the world decreased in the first half of 2017 compared to the first half of 2016, primarily due to the decreases in GAP in those regions. Foreign exchange rates did not have a significant impact on revenues in the first half of 2017.

Costs of services

Costs of services decreased $0.7 million or 2% in the first half of 2017 compared to the first half of 2016. Excluding IronPlanet's contribution, costs of services decreased 10% over the same comparative period. Costs of services related to our Core Auction segment were $30.0 million, or 1.51% of Core Auction segment GAP, in the first half of 2017 compared to $34.2 million, or 1.53% of Core Auction segment GAP, in the first half of 2016. This decrease is primarily due to an increase in our Private Treaty business, which requires less costs to generate revenues compared our traditional on site auction business, combined with a decrease in the number of lots in the first half of 2017 compared to the first half of 2016.

Selling, general and administrative expenses

SG&A expenses by nature are presented below:

(in U.S. $000's)	Six months ended June 30,		
			% Change
			2017 over
	2017	2016	2016
Employee compensation	$ 91,860	$ 91,000	1%
Buildings, facilities and technology	25,594	24,205	6%
Travel, advertising and promotion	12,781	12,322	4%
Professional fees	6,324	5,849	8%
Other SG&A expenses	8,393	7,726	9%
	$ 144,952	$ 141,102	3%

Our SG&A expenses increased $3.9 million, or 3%, in the first half of 2017 compared to the first half of 2016, primarily due to the Merger and the resulting $5.4 million of SG&A expenses contributed by IronPlanet in June 2017. Excluding IronPlanet, SG&A expenses decreased 1% over the same comparative period. Foreign exchange rates did not have a significant impact on SG&A expenses in the first half of 2017.

Employee compensation expenses increased $0.9 million in the first half of 2017 compared to the first half of 2016, primarily due to the $3.6 million contributed by IronPlanet in June 2017. Excluding IronPlanet, employee compensation costs decreased $2.8 million over the same comparative period. The primary driver of the decrease was a $4.8 million decrease in SG&A expense share-based payments, partially offset by the 5% net growth of our headcount – excluding Xcira, Mascus, and IronPlanet employees – between June 30, 2016 and June 30, 2017.

The decrease in SG&A expense share-based payments over the same comparative period was primarily due to a $6.6 million mark-to-market fair value decrease in our liability-classified share units. The mark-to-market fair value decrease was driven by the performance of our common share price over the previous reporting period. Our share price closed at $28.74 per common share on June 30, 2017, a decrease from the $34.00 per common share on December 31, 2016. Comparatively, our share price closed at $33.78 per common share on June 30, 2016, an increase from the $24.11 per common share on December 31, 2015. $2.0 million of the mark-to-market fair value decrease relates to the CEO SOG PSUs that were modified on May 1, 2017 from liability-classified to equity-classified. Post-modification, these awards are no longer subject to quarterly mark-to-market fair value fluctuations.

Buildings, facilities and technology costs increased $1.4 million in the first half of 2017 compared to the first half of 2016. This increase was primarily due to higher technology costs, including software license fees, associated with maintenance of our servers and networks, as well as development of a new disaster recovery centre. The increase is also attributable to the Merger, with IronPlanet contributing $0.5 million in June 2017.

Travel, advertising and promotion increased $0.5 million in the first half of 2017 compared to the first half of 2016. This increase was primarily due to the Merger, with IronPlanet contributing $0.8 million in June 2017. The increase was partially offset by a reduction in costs resulting from a 2016 strategic increase in advertising and promotional expenditure targeted at our larger auction events, including our participation in a triennial tradeshow in the second quarter of 2016.

Professional fees increased $0.5 million in the first half of 2017 compared to the first half of 2016, primarily due to the Merger, with IronPlanet contributing $0.2 million in June 2017.

Other SG&A expenses increased $0.7 million in the first half of 2017 compared to the first half of 2016, primarily due to bank commitment fee increases resulting from our fourth quarter 2016 debt restructuring, which increased our total credit facilities from $0.6 billion at June 30, 2016 to $1.0 billion at June 30, 2017. This increase was partially offset by a decrease in yard supplies at our auction sites, which was driven by the reduction in volume of equipment on our yards in the first half of 2017 compared to the first half of 2016.

Acquisition-related costs

Acquisition-related costs for the first half of 2017 totalled $31.6 million and consisted primarily of $29.9 million associated with the Merger. IronPlanet acquisitions costs for the first half of 2017 included $9.1 million of non-recurring acquisition and finance structure advisory fees, $8.6 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.

Impairment loss

During the first half of 2017, we recognized an impairment loss of $8.9 million on certain technology assets.

Operating income

Operating income decreased $42.3 million, or 46%, to $50.5 million in the first half of 2017 compared to $92.8 million in the first half of 2016. This decrease was primarily due to the increase in acquisition-related costs, the impairment loss, and the increase in SG&A expense over the same comparative period. Adjusted operating income (non-GAAP measure) decreased $18.2 million, or 20%, to $74.7 million in the first half of 2017 compared to $92.8 million in the first half of 2016.

Foreign exchange rates had a negative impact on operating income in the first half of 2017. Refer to the table under “Translational impact of foreign exchange rates” below for details of the foreign exchange rate impact.

Primarily for the same reasons noted above, operating income margin, which is our operating income divided by revenues, decreased 1450 bps to 17.4% in the first half of 2017 compared to 31.9% in the first half of 2016. Adjusted operating income margin (non-GAAP measure) decreased 620 bps to 25.7% in the first half of 2017 from 31.9% in the first half of 2016.

Other income (expense)

Other income (expense) is comprised of the following:

(in U.S. $000's)	Six months ended June 30,		
			% Change
			2017 over
	2017	2016	2016
Interest income	$ 1,942	$ 985	97%
Interest expense	(16,753)	(2,423)	(591%)
Equity income (loss)	(49)	996	(105%)
Other, net	3,861	967	299%
Other income (expense)	$ (10,999)	$ 525	(2195%)

The increase in interest income in the first half 2017 compared to the first half of 2016 was primarily due to the interest earned on the funds released from escrow that were held in an interest-bearing bank account from May 31, 2017 until June 30, 2017. The increase in interest expense in the first half of 2017 compared to the first half of 2016 is primarily due to $13.5 million of interest on the Notes. Refer to “Liquidity and Capital Resources” below for a more detailed discussion of the Notes.

$1.6 million of the increase in ‘other, net’ in the first half of 2017 compared to the first half of 2016 is due to changes in the fair value of contingent consideration associated with our Petrowsky, Mascus, and Kramer acquisitions, as well as our acquisition of the non-controlling interests in RBFS.

Income tax expense and effective tax rate

Income tax expense was $11.3 million in the first half of 2017, compared to $22.7 million in the first half of 2016. Our effective tax rate was 28.7% in the first half of 2017, compared to 24.4% in the first half of 2016. The increase in the effective tax rate over this comparative period was primarily due to a $2.3 million 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.

Net income

Net income attributable to stockholders decreased $41.1 million, or 59%, to $28.0 million in the first half of 2017 compared to $69.1 million in the first half of 2016. This decrease is primarily due to the increase in acquisition-related costs, interest expense, the impairment loss, and SG&A expenses, partially offset by the decrease in income tax expense over the same comparative period. Adjusted net income attributable to stockholders (non-GAAP measure) decreased $20.0 million, or 29%, to $49.1 million in the first half of 2017 from $69.1 million in the first half of 2016.

For these same reasons, net income decreased $42.4 million, or 60%, to $28.1 million in the first half of 2017 from $70.6 million in the first half of 2016. Adjusted EBITDA (non-GAAP measure) decreased $14.5 million, or 13%, to $100.7 million, in the first half of 2017 from $115.1 million in the first half of 2016.

Primarily for the same reasons noted above, net income margin decreased 1460 bps to 9.7% in the first half of 2017 from 24.3% in the first half of 2016. Adjusted EBITDA margin (non-GAAP measure) decreased 500 bps to 34.6% in the first half of 2017 from 39.6% in the first half of 2016.

Debt at June 30, 2017 represented 16.2 times net income for the 12 months ended June 30, 2017. This compares to debt at June 30, 2016, which represented 0.9 times net income for the 12 months ended June 30, 2016. The increase in this debt/net income multiplier is primarily due to a net increase in long-term debt from June 30, 2016 to June 30, 2017, combined with a decrease in net income for the 12 months ended June 30, 2017 compared to the 12 months ended June 30, 2016, as discussed above. The increase in debt is primarily due to the issuance of the Notes and proceeds from the delayed draw term loans to fund the Merger. Adjusted net debt/adjusted EBITDA[10] (non-GAAP measure) was 2.9 as at and for the 12 months ended June 30, 2017 compared to -0.2 as at and for the 12 months ended June 30, 2016.

Diluted EPS

Diluted EPS attributable to stockholders decreased 60% to $0.26 per share in the first half of 2017 from $0.65 per share in the first half of 2016. This decrease is primarily due to the decrease in net income attributable to stockholders, combined with a 944,818 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 assumption of IronPlanet stock options, as well as the modification of certain share units from liability-classified to equity-classified in May 2016 and the modification of the CEO SOG PSUs in May 2017. Diluted adjusted EPS attributable to stockholders (non-GAAP measure) decreased 31% to $0.45 per share in the first half of 2017 from $0.65 per share in the first half of 2016.

Foreign exchange loss and effect of exchange rate movement on income statement components

We conduct operations around the world in a number of different currencies, but our presentation currency is the U.S. dollar. In the first six months of 2017, approximately 45% of our revenues and 56% of our operating expenses were denominated in currencies other than the U.S. dollar, compared to 46% and 57%, respectively in the first six months of 2016.

Transactional impact of foreign exchange rates

We recognized $0.8 million of transactional foreign exchange gains in the first six months of 2017, compared to $0.1 million of transactional foreign exchange losses in the first six months of 2016. Foreign exchange losses and gains are primarily the result of settlement of non-functional currency-denominated monetary assets and liabilities.

Translational impact of foreign exchange rates

Since late 2014, there has been significant weakening of the Canadian dollar and the Euro relative to the U.S. dollar. This weakening of the Canadian dollar and Euro has affected our reported operating income when non-U.S. dollar amounts were translated into U.S. dollars for financial statement reporting purposes.

Constant Currency amounts and Translational FX Impact are non-GAAP financial measures. We calculate our Constant Currency amounts by applying prior period foreign exchange rates to current period transactional currency amounts. We define Translational FX Impact as the amounts we report under GAAP, less Constant Currency amounts.

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10 Adjusted net debt/adjusted EBITDA is a non-GAAP financial measure. We believe that comparing adjusted net debt/adjusted EBIDTA 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.

We believe that presenting Constant Currency amounts and Translational FX Impact, and comparing Constant Currency amounts to prior period results, provides useful information regarding the potential effect of changes in foreign exchange rates on our performance and the growth or decline in our operating income by eliminating the financial impact of items we do not consider to be part of our normal operating results.

The following tables present our Constant Currency results and Translational FX Impact for the three and six months, respectively, ended June 30, 2017 and 2016, as well as reconcile those metrics to revenues, costs of services, SG&A expenses, acquisition-related costs, depreciation and amortization expenses, gain on disposition of property, plant and equipment, foreign exchange loss (gain), and operating income, which are the most directly comparable GAAP measures in our consolidated financial statements:

(in U.S. $000's)	Six months ended June 30,				2017 over 2016 reported change		Constant Currency change	
	2017			2016				
	As reported	Translational FX Impact	Constant Currency	as reported	$	%	$	%
GAP	$ 2,156,840	$ 28,014	$ 2,184,854	$ 2,295,604	$ (138,764)	(6%)	$ (110,750)	(5%)
Revenues	290,685	3,871	294,556	$ 290,750	$ (65)	-	$ 3,806	1%
Costs of services, excluding depreciation and amortization	34,404	436	34,840	35,071	(667)	(2%)	(231)	(1%)
SG&A expenses	144,952	952	145,904	141,102	3,850	3%	4,802	3%
Acquisition-related costs	31,575	-	31,575	1,800	29,775	1654%	29,775	1654%
Depreciation and amortization expenses	22,210	15	22,225	20,364	1,846	9%	1,861	9%
Gain on disposition of property, plant and equipment	(1,029)	(1)	(1,030)	(447)	(582)	130%	(583)	130%
Impairment loss	8,911	-	8,911	-	8,911	100%	8,911	100%
Foreign exchange loss (gain)	(823)	80	(743)	51	(874)	(1714%)	(794)	(1557%)
Operating income	$ 50,485	$ 2,389	$ 52,874	$ 92,809	$ (42,324)	(46%)	$ (39,935)	(43%)

(in U.S. $000's)	Six months ended June 30,				2016 over 2015 reported change		Constant Currency change	
	2016			2015				
	As reported	Translational FX Impact	Constant Currency	as reported	$	%	$	%
GAP	$ 2,295,604	$ 49,578	$ 2,345,182	$ 2,217,729	$ 77,875	4%	$ 127,453	6%
Revenues	290,750	6,236	296,986	$ 271,095	$ 19,655	7%	$ 25,891	10%
Costs of services, excluding depreciation and amortization	35,071	510	35,581	28,636	6,435	22%	6,945	24%
SG&A expenses	141,102	3,985	145,087	128,995	12,107	9%	16,092	12%
Acquisition-related costs	1,800	-	1,800	-	1,800	100%	1,800	100%
Depreciation and amortization expenses	20,364	685	21,049	21,385	(1,021)	(5%)	(336)	(2%)
Gain on disposition of property, plant and equipment	(447)	(3)	(450)	(966)	519	(54%)	516	(53%)
Foreign exchange loss (gain)	51	353	404	(2,769)	2,820	(102%)	3,173	(115%)
Operating income	$ 92,809	$ 706	$ 93,515	$ 95,814	$ (3,005)	(3%)	$ (2,299)	(2%)

U.S. dollar exchange rate comparison

Value of one U.S. dollar	Six months ended June 30,				
					% Change
		2017		2016	2017 over 2016
Period-end exchange rate					
Canadian dollar	$	1.2966	$	1.2925	-
Euro		0.8752		0.9003	(3%)
Average exchange rate					
Canadian dollar	$	1.3340	$	1.3317	-
Euro		0.9239		0.8963	3%

Operations Update

The majority of our business continues to be generated by our Core Auction segment operations. During the first half of 2017, we conducted 111 unreserved industrial auctions at locations in North America, Europe, the Middle East, Australia, New Zealand, and Asia, compared to 109 during the first half of 2016. We also held 107 unreserved agricultural auctions in the first half of 2017, compared to 85 in the first half of 2016.

Our key industrial auction metrics[11] are shown below:

	Six months ended June 30,		
			% Change
	2017	2016	2017 over 2016
Bidder registrations	278,000	276,000	1%
Consignments	28,050	26,350	6%
Buyers	69,550	70,150	(1%)
Lots	192,000	203,500	(6%)

We saw decreases in industrial auction buyers and lots in the first half of 2017 compared to the first half 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 same 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 GAP, with no similar auction on the calendar in the first half of 2017.

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 June 30,					
					Change	
		2017		2016		2017 over 2016
GAP	$	15.8 million	$	17.0 million	$	-1.2 million
Bidder registrations		2,345		2,322		1%
Consignors		235		225		4%
Lots		1,648		1,698		(3%)

11 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.

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

Website metrics[12]

The Ritchie Bros. website (*www.rbauction.com*) is a gateway to our online bidding system that allows bidders to participate in our auctions over the internet and showcases upcoming auctions and equipment to be sold. This online bidding service gives our auction customers the choice of how they want to do business with us and access to both live and online auction participation. In July 2016, we launched our mobile bidding app to allow bidders to access our website for online bidding through their mobile devices.

Internet bidders comprised 67% of the total bidder registrations at our industrial auctions in the first half of 2017, compared to 64% in the first half of 2016. This increase in the level of internet bidders continues to demonstrate our ability to drive multichannel participation at our auctions.

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. Our website, *www.mascus.com*, provides access to our online listing service.

Traffic across all our websites increased 7% in the first half of 2017 compared to the first half of 2016, with the addition of IronPlanet traffic accounting for 370 of the 690 bps increase. In July 2016, we launched our mobile app that enables users to bid at our live auctions. Since its introduction, we have seen a dramatic increase in the number of sessions on our mobile app.

Online bidding and equipment marketplace purchase metrics

We continue to see an increase in the popularity of our online bidding system. During the first half of 2017, we attracted record first half online bidder registrations for our live auctions. In addition, primarily due to the Merger, we saw an increase in the use of our online bidding system and online marketplaces, selling $1.1 billion of equipment, trucks, and other assets to online auction bidders and online marketplace customers during the first half of 2017, an increase of 2% compared to the first half of 2016.

Productivity

We measure Sales Force Productivity as trailing 12-month Core Auction segment GAP per Revenue Producer[13]. It is an operational statistic that we believe provides a gauge of the effectiveness of Revenue Producers in increasing our GAP, and ultimately our net income. For purposes of the following discussion, IronPlanet's 94 Revenue Producers have been excluded from the Sales Force Productivity calculation as IronPlanet's GMV is excluded from the Core Auction segment GAP total.

Sales Force Productivity, excluding IronPlanet results, decreased to $11.4 million per Revenue Producer at June 30, 2017 from $12.0 million per Revenue Producer at June 30, 2016. This decrease was primarily due to a 6% Core Auction segment GAP decrease during the 12 months ended June 30, 2017 compared to the 12 months ended June 30, 2016, partially offset by a 1% decrease in the number of Revenue Producers (excluding IronPlanet) between June 30, 2016 and June 30, 2017. The decrease in Core Auction segment GAP was primarily due to a decrease in the number of lots sold over the comparative period, combined with a decrease in Core Auction segment GAP on a per-lot basis. We believe the declines in volume and Core Auction segment GAP on a per-lot basis were primarily due to used equipment market supply constraints, as well as due to the mix of equipment sold at our auctions.

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

13 Revenue Producers is a term used to describe our revenue-producing sales personnel. This definition is comprised of Regional Sales Managers and Territory Managers.

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

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Total full-time employees	2,114	1,659	1,649	1,641	1,600	1,559	1,522	1,513
Regional Sales Managers	62	52	51	50	45	49	46	48
Territory Managers	379	301	301	304	304	296	296	307
Revenue Producers	441	353	352	354	349	345	342	355
Trainee Territory Managers	21	20	23	22	28	26	31	26
Other sales personnel	166	107	109	110	103	99	95	88
Sales personnel	628	480	484	486	480	470	468	469

Total headcount (excluding Xcira and Mascus employees) increased by net 465 between December 31, 2016 and June 30, 2017, of which 428 represented full-time IronPlanet employees. Excluding IronPlanet, the number of administrative and operational personnel increased by net 42, which included net 17 from RBFS[14] to support the growth of that business, as well as net nine and net eight through our acquisitions of Petrowsky and Kramer, respectively. IronPlanet added 149 sales personnel and 279 administrative and operational personnel as of June 30, 2017.

Xcira had a total headcount of 58 full time employees at June 30, 2017, which has increased by net six since December 31, 2016. Mascus had a total headcount of 49 at June 30, 2017 and December 31, 2016.

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"). On August 4, 2017, we had 107,101,433 common shares issued and outstanding, 587,684 share units awarded under our senior executive and employee performance share unit ("PSU") plans, 81,973 CEO SOG PSUs, and stock options outstanding to purchase a total of 4,483,282 common shares. No preferred shares have been issued or are outstanding. The outstanding stock options had a weighted average exercise price of $24.01 per share and a weighted average remaining term of 7.6 years. In respect of PSUs awarded under the senior executive and employee PSU plans, performance and market conditions, depending on their outcome at the end of the contingency period, can reduce the number of vested awards to nil or to a maximum of 200% of the number of outstanding PSUs. In respect of the CEO SOG PSUs, market conditions, depending on their outcome at the end of the contingency period, can reduce the number of vested awards to nil or to a maximum of 200% of the number of outstanding CEO SOG PSUs. Certain of our PSUs have been cash-settled, whereas others may be settled, at our discretion, in either cash or equity. Equity settlements can be settled through either the issuance of shares or, at our discretion, subject to certain exceptions, by open market purchases of shares.

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 six months ended June 30, 2017. To conserve cash, we allowed our NCIB to expire and did not repurchase any shares in the first half of 2017. We reprioritized our capital management strategy to utilize cash to make scheduled interest and principal payments on debt, to repay debt to lower our debt levels, and to grow dividends.

14 RBFS account managers generate financing fee revenue but do not produce GAP. As such, they are excluded from our definition of Revenue Producers and the measurement of Sales Force Productivity, which is based on Core Auction segment GAP.

Liquidity and Capital Resources

Working capital

(in U.S. $000's)		June 30, 2017		December 31, 2016	% Change
Cash and cash equivalents	$	254,103	$	207,867	22%
Current restricted cash	$	113,391	$	50,222	126%
Current assets	$	574,512	$	377,998	52%
Current liabilities		463,054		252,834	83%
Working capital	$	111,458	$	125,164	(11%)

We believe that working capital is a more meaningful measure of our liquidity than cash alone. Our working capital decreased during the six months ended June 30, 2017, primarily due to the payment of dividends of $36.4 million and partially offset by net income generated during the period.

Cash flows

(in U.S. $000's)	Six months ended June 30,				
					% Change
		2017		2016	2017 over 2016
Cash provided by (used in):					
Operating activities	$	114,705	$	148,112	(23%)
Investing activities		(686,027)		(38,611)	1677%
Financing activities		170,417		(48,668)	450%
Effect of changes in foreign currency rates		10,310		8,593	20%
Net increase (decrease) in cash, cash equivalents, and restricted cash	$	(390,595)	$	69,426	(663%)

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 $33.4 million, or 23%, during the first half of 2017 compared to the first half of 2016. This decrease was primarily due to the decrease in net income, which included cash payments for most acquisition-related costs and interest expenses, as well as changes in certain of our operating assets and liabilities, including auction proceeds payable over the same comparative period. This decrease was partially offset by changes in inventory, a $14.3 million increase in adjustments for items not affecting cash, and changes in prepaid expense and refundable deposits during the first half of 2017 compared to the first half of 2016.

Cash provided by operating activities decreased $6.8 million, or 5%, during the 12 months ended June 30, 2017 compared to the 12 months ended June 30, 2016, primarily due to an $88.1 million decrease in net income and changes in certain of our operating assets and liabilities, including auction proceeds payable, over the same comparative period. This decrease was partially offset by changes in inventory and a $54.3 million increase in adjustments for items not affecting cash, including $37.2 million of impairment losses, during the 12 months ended June 30, 2017 compared to the 12 months ended June 30, 2016. Net capital spending increased $12.3 million, or 64%, during the 12 months ended June 30, 2017 compared to the 12 months ended June 30, 2016, primarily due to a $10.0 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 to assets under development. Significant software development projects during the 12 months ended June 30, 2017 include those related to computer system transformation, customer experience and process improvements, website enhancement, adaptation of our website to mobile devices including creation of a mobile bidding app, Xcira's next-generation auction bidding platforms, enhanced Wi-Fi access at many of our auction sites, and disaster recovery preparedness. 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")[15] (non-GAAP measure) of $19.1 million, or 14%, to $112.7 million during the 12 months ended June 30, 2017 from $131.8 million during the 12 months ended June 30, 2016.

Investing activities

Net cash used in investing activities increased $647.4 million, or 1677%, during the first half of 2017 compared to the first half of 2016. This increase was primarily due to the acquisition of IronPlanet for $674.1 million, net of cash acquired, in the first half of 2017, partially offset by the acquisition of Mascus for $28.1 million during the first half 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 June 30,				
					Change
		2017		2016	2017 over 2016
Property, plant and equipment additions	$	18.2	$	22.4	(19%)
Intangible asset additions		21.0		11.0	91%
Proceeds on disposition of property plant and equipment		(7.7)		(14.2)	(46%)
Net capital spending	$	31.5	$	19.2	64%
Revenues	$	566.3	$	535.5	6%
CAPEX intensity		5.6%		3.6%	200 bps

CAPEX intensity for the 12 months ended June 30, 2017 increased compared to CAPEX intensity for the 12 months ended June 30, 2016, primarily due to the net capital spending increase of 64% exceeding the revenue increase of 6% period-over-period.

Financing activities

Net cash provided by financing activities increased $219.1 million, or 450%, in the first half of 2017 compared to the first half of 2016. This increase was primarily due to a $278.4 million increase in proceeds from long-term debt and a $36.7 million decrease in share repurchases over the same comparative period. This increase was partially offset by a $54.0 million increase in repayment of long-term debt, a $24.5 million decrease in proceeds from short-term debt, payment of debt issue costs of $12.4 million, and a $12.0 million decrease in issuance of share capital in the first half of 2017 compared to the first half of 2016.

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

Total dividend payments during the six months ended June 30, 2017 were $36.3 million to stockholders and $40.8 thousand to non-controlling interests. This compares to total dividend payments of $34.2 million to stockholders and $2.4 million to non-controlling interests during the six months ended June 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 9300 bps to 143.2% for the 12 months ended June 30, 2017 from 50.2% for the 12 months ended June 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 ratio[16] (non-GAAP measure) increased 1380 bps to 70.3% for the 12 months ended June 30, 2017 from 56.5% for the 12 months ended June 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 1270 bps to 4.3% during the 12 months ended June 30, 2017 from 17.0% during the 12 months ended June 30, 2016. This decrease is primarily due to a $364.7 million, or a 45%, increase in average invested capital period-over-period, which was primarily the result of the issuance of 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 an $85.8 million, or 63%, decrease in net income attributable to stockholders. Return on invested capital ("ROIC")[17] (non-GAAP measure) decreased 630 bps to 8.8% during the 12 months ended June 30, 2017 from 15.1% during the 12 months ended June 30, 2016.

Debt and credit facilities

At June 30, 2017, our short-term debt of $14.1 million consisted of borrowings under our committed revolving credit facilities and had a weighted average annual interest rate of 2.4%. This compares to current borrowings of $23.9 million as at December 31, 2016 with a weighted average annual interest rate of 2.2%.

As at June 30, 2017, we had a total of $814.3 million long-term debt with a weighted average annual interest rate of 4.2%. 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%.

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16 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.

17 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 over the next five years relating to our long-term debt outstanding at June 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	$ 8,309	$ 16,618	$ 24,927	$ 33,236	$ 249,273	$ 500,000
Interest	19,446	34,990	34,539	33,770	31,900	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 $9.5 million in connection with the Credit Agreement, of which $4.7 million was allocated to the Multicurrency Facilities and $4.8 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 June 30, 2017, the unamortized deferred debt issuance costs relating to the Multicurrency Facilities and delayed draw term loans were $4.2 million and $4.5 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 June 30, 2017, we had unamortized deferred debt issuance costs relating to the Notes of $13.5 million.

Other credit facilities
As at June 30, 2017, we also have $12.0 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 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 June 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.

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 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 in order 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

Aside from the early adoption of ASU 2017-09 ***Compensation–Stock Compensation (Topic 718), Scope Modification Accounting,*** which did not have a significant impact on the Company's financial statements, there have been no changes in our significant accounting policies during the three months ended June 30, 2017.

Non-GAAP Measures

We make reference to 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 six months, respectively, ended June 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 June 30,				
					Change
		2017		2016	2017 over 2016
Operating income	$	26,888	$	53,635	(50%)
Pre-tax adjusting item:					
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		-	100%
Adjusted operating income (non-GAAP measure)		51,061		53,635	(5%)
Revenues	$	166,186	$	158,805	5%
Operating income margin		16.2%		33.8%	-1760 bps
Adjusted operating income margin (non-GAAP measure)		30.7%		33.8%	-310 bps

(in U.S. $000's)	Six months ended June 30,				
					Change
		2017		2016	2017 over 2016
Operating income	$	50,485	$	92,809	(46%)
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		-	100%
Adjusted operating income (non-GAAP measure)		74,658		92,809	(20%)
Revenues	$	290,685	$	290,750	-
Operating income margin		17.4%		31.9%	-1450 bps
Adjusted operating income margin (non-GAAP measure)		25.7%		31.9%	-620 bps

The second quarter and first half 2017 adjusting items were $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, and an $8.9 million ($6.6 million after tax, or $0.06 per diluted share) impairment loss recognized on various technology assets. There were no second quarter or first half 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 six months, respectively, ended June 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 EPS 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 June 30,				Change
		2017		2016	2017 over 2016
Net income attributable to stockholders	$	17,635	$	39,710	(56%)
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		-	100%
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)		-	100%
Adjusted net income attributable to stockholders (non-GAAP measure)	$	36,436	$	39,710	(8%)
Effect of dilutive securities	$	(545)	$	-	(100%)
Weighted average number of dilutive shares outstanding		108,238,660		106,979,810	1%
Diluted EPS attributable to stockholders	$	0.16	$	0.37	(57%)
Diluted adjusted EPS attributable to stockholders (non-GAAP measure)	$	0.33	$	0.37	(11%)

(in U.S. $000's, except share and per share data)	Six months ended June 30,		Change
	2017	2016	2017 over 2016
Net income attributable to stockholders	$ 28,012	$ 69,116	(59%)
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	-	100%
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)	-	100%
Current income tax adjusting item:			
Change in uncertain tax provision	2,290	-	100%
Adjusted net income attributable to stockholders (non-GAAP measure)	$ 49,103	$ 69,116	(29%)
Effect of dilutive securities	$ (176)	$ -	(100%)
Weighted average number of dilutive shares outstanding	108,014,228	107,069,410	1%
Diluted EPS attributable to stockholders	$ 0.26	$ 0.65	(60%)
Diluted adjusted EPS attributable to stockholders (non-GAAP measure)	$ 0.45	$ 0.65	(31%)

The second quarter and first half 2017 adjusting items were $4.8 million ($4.8 million before 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, $6.6 million ($9.1 million before tax, or $0.06 per diluted share) of acquisition and finance structure advisory costs, $0.9 million ($1.4 million before tax, or $0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Merger, and a $6.6 million ($8.9 million before tax, or $0.06 per diluted share) impairment loss recognized on various technology assets during the second quarter of 2017. In addition, there was a $2.3 million ($2.3 million before tax, or $0.02 per diluted share) charge related to the change in uncertain tax provisions incurred in the first quarter of 2017. There were no second quarter or first half 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 six months, respectively, ended June 30, 2017 and 2016, as well as reconcile those metrics to net income, 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 June 30,		
			Change
	2017	2016	2017 over 2016
Net income	$ 17,713	$ 40,591	(56%)
Add: depreciation and amortization expenses	11,872	10,284	15%
Less: interest income	(987)	(487)	103%
Add: interest expense	8,620	1,060	713%
Add: current income tax expense	8,675	16,106	(46%)
Less: deferred income tax recovery	(4,650)	(2,889)	61%
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	-	100%
Adjusted EBITDA (non-GAAP measure)	65,416	64,665	1%
Revenues	$ 166,186	$ 158,805	5%
Net income margin	10.7%	25.6%	-1490 bps
Adjusted EBITDA margin (non-GAAP measure)	39.4%	40.7%	-130 bps

(in U.S. $000's)	Six months ended June 30,		Change
	2017	2016	2017 over 2016
Net income	$ 28,146	$ 70,585	(60%)
Add: depreciation and amortization expenses	22,210	20,364	9%
Less: interest income	(1,942)	(985)	97%
Add: interest expense	16,753	2,423	591%
Add: current income tax expense	16,163	26,115	(38%)
Add: deferred income tax recovery	(4,823)	(3,366)	43%
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	-	100%
Adjusted EBITDA (non-GAAP measure)	100,680	115,136	(13%)
Revenues	$ 290,685	$ 290,750	-
Net income margin	9.7%	24.3%	-1460 bps
Adjusted EBITDA margin (non-GAAP measure)	34.6%	39.6%	-500 bps

The second quarter and first half 2017 adjusting items were $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, and an $8.9 million ($6.6 million after tax, or $0.06 per diluted share) impairment loss recognized on various technology assets during the second quarter of 2017. There were no second quarter or first half 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, 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 June 30,		
			Change
	2017	2016	2017 over 2016
Short-term debt	$ 14.1	$ 22.4	(37%)
Long-term debt	814.3	102.7	693%
Debt	828.4	125.1	562%
Less: cash and cash equivalents	(254.1)	(166.5)	53%
Adjusted net debt (non-GAAP measure)	574.3	(41.4)	(1487%)
Net income	$ 51.1	$ 139.2	(63%)
Add: depreciation and amortization expenses	42.8	41.0	4%
Less: interest income	(2.8)	(2.1)	33%
Add: interest expense	19.9	4.8	315%
Add: current income tax expense	30.4	38.5	(21%)
Less: deferred income tax recovery	(4.8)	(4.7)	2%
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	37.2	-	100%
Adjusted EBITDA (non-GAAP measure)	$ 195.9	$ 208.3	(6%)
Debt/net income	16.2x	0.9x	1700%
Adjusted net debt/adjusted EBITDA (non-GAAP measure)	2.9x	-0.2x	(1550%)

There was no long-term debt held in escrow at June 30, 2017 or June 30, 2016.

The net income adjusting items for the 12 months ended June 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, and
- 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.

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 the Company's EquipmentOne reporting unit goodwill and customer relationships.

The adjusting item for the 12 months ended June 30, 2016 was an $8.4 million ($7.3 million after tax, or $0.07 per diluted share) gain on the sale of excess property in Edmonton, Canada, recognized in the fourth quarter of 2015.

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 June 30,		
			Change
	2017	2016	2017 over 2016
Cash provided by operating activities	$ 144.2	$ 151.0	(5%)
Property, plant and equipment additions	18.2	22.4	(19%)
Intangible asset additions	21.0	11.0	91%
Proceeds on disposition of property plant and equipment	(7.7)	(14.2)	(46%)
Net capital spending	$ 31.5	$ 19.2	64%
OFCF (non-GAAP measure)	$ 112.7	$ 131.8	(14%)

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 June 30,				
					Change
		2017		2016	2017 over 2016
Dividends paid to stockholders	$	72.6	$	68.5	6%
Net income attributable to stockholders	$	50.7	$	136.5	(63%)
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		37.2		-	100%
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		(4.2)		-	100%
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)	$	103.3	$	121.3	(15%)
Dividend payout ratio		143.2%		50.2%	9300 bps
Adjusted dividend payout ratio (non-GAAP measure)		70.3%		56.5%	1380 bps

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

Recognized in the second quarter of 2017

- $4.8 million ($4.8 million before 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,
- $6.6 million ($9.1 million before tax, or $0.06 per diluted share) of acquisition and finance structure advisory costs,
- $0.9 million ($1.4 million before tax, or $0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Merger, and
- A $6.6 million ($8.9 million before 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 ($2.3 million before tax, or $0.02 per diluted share) charge related to the change in uncertain tax provisions.

Recognized in the fourth quarter of 2016

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

Recognized in the third quarter of 2016

- A $26.4 million ($28.2 million before tax, or $0.25 per diluted share) impairment loss on the Company's EquipmentOne reporting unit goodwill and customer relationships.

The adjusting items for the 12 months ended June 30, 2016 were a $7.3 million ($8.4 million before tax, or $0.07 per diluted share) gain on the sale of excess property in Edmonton, Canada, recognized in the fourth quarter of 2015, and $7.9 million ($7.9 million before tax, or $0.07 per diluted share) of tax savings generated by tax loss utilization recognized in the fourth quarter of 2015.

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 June 30,		
			Change
	2017	2016	2017 over 2016
Net income attributable to stockholders	$ 50.7	$ 136.5	(63%)
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	37.2	-	100%
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	(4.2)	-	100%
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)	$ 103.3	$ 121.3	(15%)
Opening long-term debt	$ 102.7	$ 105.2	(2%)
Ending long-term debt	814.3	102.7	693%
Average long-term debt	$ 458.5	$ 104.0	341%
Opening stockholders' equity	$ 709.0	$ 691.1	3%
Ending stockholders' equity	711.6	709.0	-
Average stockholders' equity	710.3	700.1	1%
Average invested capital	$ 1,168.8	$ 804.1	45%
Return on average invested capital[(1)]	4.3%	17.0%	-1270 bps
ROIC (non-GAAP measure)[(2)]	8.8%	15.1%	-630 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 net income attributable to stockholders adjusting items for the 12 months ended June 30, 2017 were:

Recognized in the second quarter of 2017

- $4.8 million ($4.8 million before 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,
- $6.6 million ($9.1 million before tax, or $0.06 per diluted share) of acquisition and finance structure advisory costs,
- $0.9 million ($1.4 million before tax, or $0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Merger, and
- A $6.6 million ($8.9 million before 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 ($2.3 million before tax, or $0.02 per diluted share) charge related to the change in uncertain tax provisions.

Recognized in the fourth quarter of 2016

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

Recognized in the third quarter of 2016

- A $26.4 million ($28.2 million before tax, or $0.25 per diluted share) impairment loss on the Company's EquipmentOne reporting unit goodwill and customer relationships.

The net income attributable to stockholders adjusting items for the 12 months ended June 30, 2016 were a $7.3 million ($8.4 million before tax, or $0.07 per diluted share) gain on the sale of excess property in Edmonton, Canada, recognized in the fourth quarter of 2015, and $7.9 million ($7.9 million before tax, or $0.07 per diluted share) of tax savings generated by tax loss utilization recognized in the fourth quarter of 2015.

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