

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

Cautionary Note Regarding Forward-Looking Statements

Forward-looking statements may appear throughout this report, including the following section “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. Forward-looking statements are typically identified by such words as “aim”, “anticipate”, “believe”, “could”, “continue”, “estimate”, “expect”, “intend”, “may”, “ongoing”, “plan”, “potential”, “predict”, “will”, “should”, “would”, “could”, “likely”, “generally”, “future”, “long-term”, or the negative of these terms, and similar expressions intended to identify forward-looking statements. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially.

While we have not described all potential risks related to our business and owning our common shares, the important factors discussed 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, 2017, which is available on our website at www.rbauction.com, on EDGAR at www.sec.gov, or on SEDAR at www.sedar.com, are among those that we consider may affect our performance materially or could cause our actual financial and operational results to differ significantly from our expectations. Except as required by applicable securities law and regulations of relevant securities exchanges, we do not intend to update publicly any forward-looking statements, even if our expectations have been affected by new information, future events or other developments.

We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles (“US GAAP”). Except for Gross Transaction Value (“GTV”)¹, which is a measure of operational performance and not a measure of financial performance, liquidity, or revenue, the amounts discussed below are based on our consolidated financial statements. Unless indicated otherwise, all tabular dollar amounts, including related footnotes, presented below are expressed in thousands of United States (“U.S.”) dollars.

We make reference to various non-GAAP financial 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.

Overview

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 \$1.0 billion of used equipment and other assets during the third quarter of 2018. 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 worldwide including in the United States, Canada, Australia, the United Arab Emirates, and the Netherlands, which are simulcast online to reach a global bidding audience.

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

On May 31, 2017, we acquired IronPlanet Holdings, Inc. (“IronPlanet”), a leading online marketplace for heavy equipment and other durable assets for \$776.5 million (the “Acquisition”). IronPlanet’s complementary used equipment brand solutions, together with Marketplace-E, our online marketplace that supports reserved pricing, 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. Upon the consummation of the Acquisition on May 31, 2017, we formed an alliance with Caterpillar Inc. (“Caterpillar”), pursuant to a Strategic Alliance and Remarketing Agreement (the “Alliance”). Under the Alliance, we became Caterpillar's preferred global partner for live on site and online auctions for used Caterpillar equipment.

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

Service Offerings

As part of our Auction and Marketplace (“A&M”) solutions, we offer our equipment seller and buyer customers multiple distinct, complementary, multi-channel brand solutions that address the range of their 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 tables below illustrate the various channels and brand solutions available under our A&M segment, as well as our other services.

A&M segment

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

Contract options

As part of our A&M business, we offer sellers several contract options to meet their individual needs and sale objectives, which include:

- Straight commission contracts, where the consignor receives the gross proceeds from the sale less a pre-negotiated commission rate;
- Guarantee contracts, where the consignor receives a guaranteed minimum amount plus an additional amount if proceeds exceed a specified level; and
- Inventory contracts, where we purchase, take custody, and hold used equipment and other assets before they are resold in the ordinary course of business.

We refer to guarantee and inventory contracts as underwritten contracts.

We also provide a wide array of value-added services to make the process of selling and buying equipment convenient for our customers, including repair and refurbishment services, financial services through Ritchie Bros. Financial Services ("RBFS"), logistical services, and appraisals.

Seasonality

Our operations are both seasonal and event-driven. Total revenues and GTV tend to be the highest during the second and fourth calendar quarters. We generally conduct more live on site auctions during these quarters than during the first and third calendar quarters. Late December through mid-February and mid-July through August are traditionally less active periods. Online volumes are similarly affected as supply of used equipment is lower in the third quarter as it is actively being used and not available for sale.

Performance Highlights

Net income attributable to stockholders of \$23.1 million increased 125% compared to \$10.3 million for the same quarter in 2017. Diluted earnings per share (“EPS”) attributable to stockholders increased 133% to \$0.21 versus \$0.09 in the third quarter of 2017, while diluted adjusted EPS attributable to stockholders² (non-GAAP measure) increased 100% to \$0.18 from \$0.09 in the third quarter of 2017. Other key third quarter highlights included:

Consolidated results:

- Total revenues of \$245.3 million increased 8% over the third quarter of 2017
- Total Company agency proceeds³ (non-GAAP measure) of \$159.3 million increased 13% from \$141.0 million in the third quarter of 2017
- Total selling, general and administrative expenses (“SG&A”) of \$88.3 million increased 4% from \$85.3 million in the third quarter of 2017.
- Cash provided by operating activities of \$97.1 million for the nine-month period ended September 30, 2018

A&M segment results:

- GTV of \$1.0 billion up 2% over the third quarter of 2017.
- Total revenues of \$218.6 million increased 8% from \$202.7 million in the third quarter of 2017
- A&M agency proceeds⁴ (non-GAAP measure) of \$144.2 million increased 11% from \$130.2 million in the third quarter of 2017
- A&M revenue rate⁵ of 21.0% and A&M agency proceeds rate⁶ (non-GAAP measure) of 13.9%, each improved 110 basis points (“bps”) over the third quarter of 2017

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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 which are after-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 an equity accounted for investment, gains/losses on sale of certain property, plant and equipment, impairment losses, and certain other items, which we refer to as ‘adjusting items’. Diluted adjusted EPS attributable to stockholders is calculated by dividing adjusted net income attributable to stockholders (non-GAAP measure), 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 Our income statement scorecard includes the non-GAAP measure performance metric, agency proceeds. Agency proceeds is also an element of the performance criteria for certain annual short-term incentive awards we grant to our employees and officers. We calculate agency proceeds by subtracting the cost of inventory sold and ancillary and logistical service expenses from total revenues.
 - 4 A&M agency proceeds is a non-GAAP financial measure that provides useful information about the performance of our A&M contracts for different financial periods. A&M agency proceeds is calculated as A&M total revenues less cost of inventory sold and is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under “Non-GAAP Measures” below.
 - 5 We believe A&M segment total revenues are best understood by considering their relationship to GTV. The metric we use to measure that performance is A&M revenue rate, which is calculated as A&M total revenues divided by GTV.
 - 6 A&M agency proceeds rate is a non-GAAP financial measure that provides useful information about the performance of our operations by comparing the margins we earn on our contracts for different financial periods. A&M agency proceeds rate is calculated by dividing A&M agency proceeds (non-GAAP measure) by GTV. A&M agency proceeds rate is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under “Non-GAAP Measures” below.

Results of Operations

Financial overview	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Change	2018	2017	% Change
			2018 over 2017			2018 over 2017
(in U.S. \$000's, except EPS)						
Service revenues	\$ 161,374	\$ 145,938	11%	\$ 551,736	\$ 442,066	25%
Revenue from inventory sales	83,972	81,463	3%	262,318	237,375	11%
Total revenues	245,346	227,401	8%	814,054	679,441	20%
Costs of services	33,053	33,461	(1%)	112,743	94,093	20%
Cost of inventory sold	74,341	72,476	3%	231,834	207,603	12%
Selling, general and administrative expenses ("SG&A")	88,323	85,335	4%	287,052	230,287	25%
Acquisition-related costs	2,007	3,587	(44%)	5,039	35,162	(86%)
Depreciation and amortization expenses	16,723	14,837	13%	49,451	37,047	33%
Gain on disposal of property, plant and equipment	(342)	(42)	714%	(958)	(1,071)	(11%)
Impairment loss	-	-	-	-	8,911	(100%)
Foreign exchange loss (gain)	47	816	(94%)	31	(7)	543%
Operating income	31,194	16,931	84%	128,862	67,416	91%
Operating income margin	12.7%	7.4%	530 bps	15.8%	9.9%	590 bps
Interest expense	(10,473)	(10,558)	(1%)	(32,720)	(27,311)	20%
Other income, net	7,182	592	1113%	8,995	6,346	42%
Income tax expense (recovery)	4,791	(3,358)	(243%)	19,091	7,982	139%
Net income attributable to stockholders	23,138	10,261	125%	85,993	38,273	125%
Diluted earnings per share attributable to stockholders	\$ 0.21	\$ 0.09	133%	\$ 0.79	\$ 0.35	125%
Effective tax rate	17%	-48%	6500 bps	18%	17%	100 bps
GTV	\$ 1,039,427	\$ 1,019,322	2%	\$ 3,626,551	\$ 3,173,050	14%
Agency proceeds (non-GAAP measure)	159,323	141,047	13%	535,978	431,732	24%

Consolidated Results

Total revenues

Three months ended September 30, 2018 compared with three months ended September 30, 2017

Total revenues increased \$17.9 million, or 8%, primarily due to partial fee harmonization, increase in revenue from inventory sales mainly in our European operations, higher GTV volumes, and significant growth in RBFS. This was partially offset by a reduction in the year-over-year number of live on site auctions, from 86 in 2017 to 68 in 2018. Foreign exchange had a negative impact on total revenue in the third quarter of 2018.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

Total revenues increased \$134.6 million, or 20%, primarily due to incremental volume from the Acquisition. The first nine months of 2018 included nine full months of Acquisition volume versus four months of post-Acquisition activity in the nine months ended September 30, 2017. The increase was also due to partial fee harmonization and higher revenues from inventory sales and ancillary and logistical services. Foreign exchange had a positive impact on total revenues in the first nine months of 2018.

As part of our calendar optimization efforts and site closures, we reduced the number of live on site auctions from 304 in the first nine months of 2017 to 272 in the first nine months of 2018, as well as the number of sale days over the comparative period in our auction calendar.

Geographic analysis

The distribution of our revenues is determined by the location in which the sale occurred, or in the case of online sales, where the legal entity earning the revenues is incorporated. The following table presents our total revenues on a geographic basis.

Three months ended September 30, 2018 compared with three months ended September 30, 2017

(in U.S. \$000's)	United States	Canada	Europe	Other	Consolidated
Total revenues for the three months ended September 30, 2018	\$ 114,410	\$ 52,711	\$ 43,935	\$ 34,290	\$ 245,346
Proportion of consolidated amount	47%	21%	18%	14%	100%
Total revenues for the three months ended September 30, 2017	\$ 107,812	\$ 51,136	\$ 29,065	\$ 39,388	\$ 227,401
Proportion of consolidated amount	48%	22%	13%	17%	100%
Change 2018 over 2017:					
\$ change	\$ 6,598	\$ 1,575	\$ 14,870	\$ (5,098)	\$ 17,945
% change	6%	3%	51%	(13%)	8%

The \$6.6 million, or 6%, increase in total revenues to \$114.4 million in the United States was primarily due to partial fee harmonization, online auction performance, and strong growth in Kruse Energy Auctioneers.

In Canada, total revenues increased \$1.6 million, or 3%, to \$52.7 million primarily due to partial fee harmonization, growth of RBFS, and higher service revenues from our live on site auctions driven by sustained market recovery in our Western Canada industrial business. Our Canadian online performance also experienced significant improvement compared to the prior year. These increases were partially offset by a decrease in revenue from inventory sales.

The increase in total revenues in Europe of \$14.9 million, or 51%, to \$43.9 million was primarily due to higher revenues from inventory sales and partial fee harmonization. Revenues from inventory sales increased due to considerable underwritten inventory contracts sourced globally during the third quarter of 2018.

The decrease in revenues in Other regions was primarily due to cycling over a strong performance in the third quarter of 2017.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

(in U.S. \$000's)	United States	Canada	Europe	Other	Consolidated
Total revenues for the nine months ended September 30, 2018	\$ 392,904	\$ 201,296	\$ 123,335	\$ 96,519	\$ 814,054
Proportion of consolidated amount	48%	25%	15%	12%	100%
Total revenues for the nine months ended September 30, 2017	\$ 327,838	\$ 170,994	\$ 81,930	\$ 98,679	\$ 679,441
Proportion of consolidated amount	48%	25%	12%	15%	100%
Change 2018 over 2017:					
\$ change	\$ 65,066	\$ 30,302	\$ 41,405	\$ (2,160)	\$ 134,613
% change	20%	18%	51%	(2%)	20%

Our revenues in the United States increased \$65.1 million, or 20%, to \$392.9 million primarily due to the Acquisition and partial fee harmonization. These increases were partially offset by a decrease in revenue from inventory sales.

In Canada, total revenues increased \$30.3 million, or 18%, to \$201.3 million primarily due to partial fee harmonization, increase in revenue from inventory sales, growth of RBFS, and the Acquisition.

In Europe, total revenue increased \$41.4 million, or 51%, to \$123.3 million mainly due to higher revenue from inventory sales, the Acquisition, and partial fee harmonization.

Total revenues in Other region decreased \$2.2 million, or 2%, to \$96.5 million primarily due to lower revenues in our Australian operations, partially offset by increases from partial fee harmonization.

Costs of services**Three months ended September 30, 2018 compared with three months ended September 30, 2017**

Costs of services decreased \$0.4 million, or 1%, primarily due to fewer live events.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

Costs of services increased \$18.7 million, or 20%, primarily due to the Acquisition and the incremental costs required to support the growth of our service revenues.

Cost of inventory sold**Three months ended September 30, 2018 compared with three months ended September 30, 2017**

Cost of inventory sold increased \$1.9 million, or 3%, in line with the revenue from inventory sales growth in the quarter.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

Cost of inventory sold increased \$24.2 million, or 12%, primarily due to the change in our revenue from inventory sales and due to the Acquisition.

SG&A expenses**Three months ended September 30, 2018 compared with three months ended September 30, 2017**

SG&A expenses increased \$3.0 million, or 4%, primarily due to incremental overhead costs incurred to support GovPlanet's non-rolling stock contract with the Defense Logistics Agency and a higher share unit expense. These increases were partially offset by the favorable impact of foreign exchange during the comparative period.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

SG&A expenses increased \$56.8 million, or 25%, primarily due to the Acquisition, continued investments in talent to support growth of our business and initiatives, share unit expense, and increased overhead costs to support GovPlanet's non-rolling stock contract with the Defense Logistics Agency. The Acquisition drove increases in employee compensation, technology support costs, and additional advertising to promote our online marketplace sales. Also, there was a decrease in share prices in the third quarter of 2017 that resulted in a positive impact on share unit expenses in that period. Foreign exchange had a negative impact on SG&A expenses in the first nine months of 2018.

Acquisition-related costs

Three months ended September 30, 2018 compared with three months ended September 30, 2017

During the third quarter of 2018, we incurred \$2.0 million acquisition-related costs, which was a decrease of \$1.6 million from the third quarter of 2017. In the third quarter of 2018, we incurred \$1.5 million of severance costs and accelerated share unit expenses related to the labour reductions, which were part of our cost control measures to eliminate duplicative positions and overlap in roles, planned as part of our synergy targets.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

There was a significant decrease in acquisition-related costs of \$30.1 million, or 86%, primarily due to the timing of the Acquisition that closed on May 31, 2017.

Impairment loss

There were no impairment losses in the first nine months of 2018, compared to the first nine months of 2017 where we recognized an \$8.9 million impairment loss on certain technology assets.

Operating income

Three months ended September 30, 2018 compared with three months ended September 30, 2017

The operating income increase of \$14.3 million, or 84%, was driven by higher total service revenues mainly from partial fee harmonization and auction revenue growth. The increase was partially offset by higher SG&A expenses, depreciation and amortization expense, and cost of inventory sold. Foreign exchange had a negative impact on operating income in the third quarter of 2018. Adjusted operating income⁷ (non-GAAP measure) increased 93% during the third quarter of 2018 compared to the third quarter of 2017, which excluded the impact of \$1.5 million of non-recurring acquisition-related costs related to severance costs, as discussed above.

Operating income margin, which is our operating income divided by revenues, increased 530 bps to 12.7% in the third quarter of 2018 compared to 7.4% in the third quarter of 2017 for the same reasons. Agency proceeds adjusted operating income rate⁸ (non-GAAP measure) was 20.5% in the third quarter of 2018 compared to 12.0% in the third quarter of 2017.

7 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 adjusting items from operating income. Adjusted operating income is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under "Non-GAAP Measures" below.

8 Our income statement scorecard includes the performance metric, agency proceeds adjusted operating income rate, which is a non-GAAP measure. We believe that comparing agency proceeds adjusted operating income rate for different financial periods provides useful information about the growth or decline of our operating income for the relevant financial period. We calculate agency proceeds adjusted operating income rate by dividing adjusted operating income (non-GAAP measure) by agency proceeds (non-GAAP measure). Agency proceeds adjusted operating income rate is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under "Non-GAAP Measures" below.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

The operating income increase of \$61.4 million, or 91%, was driven by higher total revenues combined with lower acquisition-related costs, as well as an impairment loss in the prior year. Adjusted operating income (non-GAAP measure) increased 42% during the first nine months of 2018 compared to the first nine months of 2017.

Operating income margin increased 590 bps to 15.8% in the first nine months of 2018 compared to 9.9% in the first nine months of 2017. Agency proceeds adjusted operating income rate (non-GAAP measure) was 24.3% in the first nine months of 2018 compared to 21.2% in the first nine months of 2017.

Interest expense

Three months ended September 30, 2018 compared with three months ended September 30, 2017

Interest expense of \$10.5 million was consistent with the third quarter of 2017. Our overall interest expense has a favourable benefit resulting from our \$50.0 million voluntary prepayment of the term loan during the first half of 2018, but was partially offset by an increase in variable short-term interest rates over the comparative period.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

Interest expense increased \$5.4 million, or 20%, primarily due to the additional indebtedness to finance the Acquisition and an increase in variable short-term interest over the comparative period. This was partially offset by the reduction in interest expense resulting from our \$50.0 million voluntary prepayment of the term loan in the first nine months of 2018. As of September 30, 2018, our long-term debt was \$751.8 million compared to \$817.9 million as of September 30, 2017.

Other Income

Three months ended September 30, 2018 compared with three months ended September 30, 2017

Other income was \$7.2 million, up from \$0.6 million in the comparative period primarily due to a \$4.9 million gain on sale of an equity accounted for investment during the third quarter of 2018.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

Other income was \$9.0 million, compared to \$6.3 million during the comparative period, an increase of \$2.7 million. Other income for the nine months ended September 30, 2018 included the gain on sale of an equity accounted for investment, while in the comparative period we recorded \$2.5 million of other income related to changes in the fair value of contingent consideration associated with Petrowsky, Kramer, Mascus and RBFS acquisitions.

Income tax expense and effective tax rate

Three months ended September 30, 2018 compared with three months ended September 30, 2017

For the three months ended September 30, 2018, income tax expense was \$4.8 million, compared to an income tax recovery of \$3.4 million for the same period in 2017. Our effective tax rate was 17% in the third quarter of 2018, compared to -48% in the third quarter of 2017. The effective tax rate increased in the third quarter of 2018 compared to the third quarter of 2017 primarily due to the estimated greater proportion of annual income subject to tax in jurisdictions with higher tax rates and the estimated annual Base Erosion Anti Abuse Tax ("BEAT"). The comparative period reflected the impact of greater estimates of non-deductible acquisition expenses, partially offset by adjustments for deductible stock compensation expenses.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

For the nine months ended September 30, 2018, income tax expense was \$19.1 million compared to an income tax expense of \$8.0 million for the same period in 2017. Our effective tax rate was 18.2% for the nine months ended September 30, 2018, compared to 17.2% for the nine months ended September 30, 2017. This increase was primarily due to an estimated greater proportion of annual income subject to tax in jurisdictions with higher tax rates, and the estimated BEAT, partially offset by a \$2.1 million decrease in uncertain tax positions. The comparative period reflected greater estimates of non-deductible acquisition related expenses and a \$2.5 million increase in uncertain tax positions, partially offset by adjustments for deductible stock compensation expenses.

On December 22, 2017, the U.S. enacted H.R. 1, originally known as the Tax Cuts and Jobs Act, (the “Tax Act”). We have not completed our analysis of the effects of the enactment of the Tax Act and, therefore, have not made any adjustments to the provisional amounts recorded at December 31, 2017. For more details, refer to the notes to our consolidated financial statements included in “Part 1, Item 1: Consolidated Financial Statements” in this Form 10-Q.

Net income

Three months ended September 30, 2018 compared with three months ended September 30, 2017

Net income attributable to stockholders increased \$12.9 million, or 125%, primarily due to the increase in operating income and the \$4.9 million gain on sale of an equity accounted for investment, which were partially offset by higher income tax expense. Adjusted net income attributable to stockholders⁹ (non-GAAP measure) increased \$9.0 million, or 88%, to \$19.3 million in the third quarter of 2018 from \$10.3 million in the third quarter of 2017.

Similarly, net income increased \$12.8 million, or 124% to \$23.1 million in the third quarter of 2018 from \$10.3 million in the third quarter of 2017. Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”)¹⁰ (non-GAAP measure) increased \$19.0 million, or 60%, to \$50.9 million in the third quarter of 2018 from \$31.8 million in the third quarter of 2017.

Net income margin increased 490 bps to 9.4% in the third quarter of 2018 from 4.5% in the third quarter of 2017. Agency proceeds adjusted EBITDA rate¹¹ (non-GAAP measure) increased 930 bps to 31.9% in the third quarter of 2018 compared to 22.6% in the third quarter of 2017.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

Net income attributable to stockholders increased \$47.7 million, or 125%, to \$86.0 in the first nine months of 2018 compared to the first nine months of 2017. This increase was primarily due to the increase in our operating income, and a \$4.9 million gain on sale of an equity accounted for investment, partially offset by higher interest expense and income tax expense. Adjusted net income attributable to stockholders (non-GAAP measure) increased \$22.8 million, or 38%, to \$82.2 million in the first nine months of 2018 from \$59.4 million in the first nine months of 2017.

9 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.

10 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 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.

11 Agency proceeds adjusted EBITDA rate 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. Agency proceeds adjusted EBITDA rate presents adjusted EBITDA (non-GAAP measure) as a multiple of agency proceeds (non-GAAP measure). Agency proceeds adjusted EBITDA rate is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under “Non-GAAP Measures” below.

Similarly, net income increased \$47.6 million, or 124% to \$86.0 million in the first nine months of 2018 from \$38.5 million in the first nine months of 2017. Adjusted EBITDA (non-GAAP measure) increased \$49.3 million, or 37%, to \$181.9 million in the first nine months of 2018 from \$132.5 million in the first nine months of 2017.

Net income margin increased 490 bps to 10.6% in the first nine months of 2018 from 5.7% in the first nine months of 2017. Agency proceeds adjusted EBITDA rate (non-GAAP measure) increased 320 bps to 33.9% in the first nine months of 2018 compared to 30.7% in the first nine months of 2017.

12 months ended September 30, 2018 compared with 12 months ended September 30, 2017

Debt at September 30, 2018, represented 6.2 times net income as at and for the 12 months ended September 30, 2018. This compares to debt at September 30, 2017, which represented 12.4 times net income as at and for the 12 months ended September 30, 2017. The decrease in this debt/net income multiplier was primarily due to lower debt balances at September 30, 2018 versus September 30, 2017, and a higher net income over the comparative period. The decrease in debt was primarily due to repayments of debt related to the funding for the Acquisition. Adjusted net debt/adjusted EBITDA¹² (non-GAAP measure) was 2.2 times as at and for the 12 months ended September 30, 2018 compared to 3.2 times as at and for the 12 months ended September 30, 2017.

Diluted EPS

Three months ended September 30, 2018 compared with three months ended September 30, 2017

Diluted EPS attributable to stockholders increased 133% to \$0.21 per share in the third quarter of 2018 from \$0.09 per share in the third quarter of 2017. Diluted adjusted EPS attributable to stockholders (non-GAAP measure) increased 100% to \$0.18 in the third quarter of 2018 from \$0.09 in the third quarter of 2017.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

Diluted EPS attributable to stockholders increased 125% to \$0.79 per share in the first nine months of 2018 from \$0.35 per share in the first nine months of 2017. Diluted adjusted EPS attributable to stockholders (non-GAAP measure) increased 36% to \$0.75 in the first nine months of 2018 from \$0.55 in the first nine months of 2017.

¹² Adjusted net debt/adjusted EBITDA is a non-GAAP financial measure. We believe that comparing adjusted net debt/adjusted EBITDA on a trailing 12-month basis for different financial periods provides useful information about the performance of our operations as an indicator of the amount of time it would take us to settle both our short and long-term debt. We do not consider this to be a measure of our liquidity, which is our ability to settle only short-term obligations, but rather a measure of how well we fund liquidity. Measures of liquidity are discussed further below under "Liquidity and Capital Resources". We calculate adjusted net debt/adjusted EBITDA by dividing adjusted net debt (non-GAAP measure) by adjusted EBITDA (non-GAAP measure). Adjusted net debt (non-GAAP measure) is calculated by subtracting cash and cash equivalents from short and long-term 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.

Segment Performance

Auctions and Marketplaces segment

(in U.S. \$000's)	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Change	2018	2017	% Change
			2018 over 2017			2018 over 2017
Service revenues	\$ 134,604	\$ 121,255	11%	\$ 463,076	\$ 370,794	25%
Revenue from inventory sales	83,972	81,463	3%	262,318	237,375	11%
Total revenues	218,576	202,718	8%	725,394	608,169	19%
Costs of services	20,059	18,381	9%	62,888	51,946	21%
Cost of inventory sold	74,341	72,476	3%	231,834	207,603	12%
SG&A expenses	83,542	81,736	2%	272,503	219,824	24%
Impairment loss	-	-	-	-	8,911	(100%)
A&M profit	\$ 40,634	\$ 30,125	35%	\$ 158,169	\$ 119,885	32%

Gross Transaction Value

We believe it is more meaningful to consider revenue in relation to GTV. GTV by channel is presented below for the three and nine months ended September 30, 2018.

Three months ended September 30, 2018 compared with three months ended September 30, 2017

(in U.S. \$000's)	Three months ended September 30,				
	2018		2017		% Change
	GTV	% of total	GTV ⁽³⁾	% of total	2018 over 2017
Live on site auctions	\$ 850,484	82%	\$ 856,522	84%	(1%)
Online marketplaces including featured ⁽¹⁾ and other ⁽²⁾	188,943	18%	162,800	16%	16%
GTV	\$ 1,039,427	100%	\$ 1,019,322	100%	2%

(1) This represents GTV from IronPlanet's Weekly Featured Auction, which operates under an unreserved auction model.

(2) This includes GTV from Marketplace-E and, before that, EquipmentOne

(3) Prior year GTV was reclassified between live on site auctions and online marketplaces to conform with current year classification.

Overall, GTV increased \$20.1 million, or 2%, compared to the third quarter of 2017, primarily due to a 16% increase in our IronPlanet weekly featured auctions in the United States and Canada. This increase was partially offset by a 1% decrease in GTV from live on site auctions primarily due to fewer agricultural auctions compared to the third quarter of 2017.

The total number of industrial and agricultural lots sold at our live on site auctions increased 4% to 94,750 lots in the third quarter of 2018 compared to 91,200 lots in the third quarter of 2017, despite a reduction in the number of live on site auctions from 86 in the third quarter of 2017 to 68 in the third quarter of 2018.

We offer our customers the opportunity to use underwritten commission contracts to serve their disposition strategy needs, entering into such contracts where the risk/reward profile of the terms are agreeable. The volume of underwritten commission contracts decreased to 16% of our GTV in the third quarter of 2018 from 18% in the third quarter of 2017.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

(in U.S. \$000's)	Nine months ended September 30,				
	2018		2017		% Change 2018 over 2017
	GTV	% of total	GTV ⁽⁶⁾	% of total	
Live on site auctions	\$ 3,025,982	83%	\$ 2,853,097	90%	6%
Online marketplaces including featured ⁽⁴⁾ and other ⁽⁵⁾	600,569	17%	319,953	10%	88%
GTV	\$ 3,626,551	100%	\$ 3,173,050	100%	14%

(4) This represents GTV from IronPlanet's Weekly Featured Auction, which operates under an unreserved auction model.

(5) This includes GTV from Marketplace-E and, before that, EquipmentOne

(6) Prior year GTV was reclassified between live on site auctions and online marketplaces to conform with current year classification.

Overall, GTV increased \$453.5 million, or 14%, primarily due to the Acquisition and improved live on site and online auction performance driven by strong price performance. We significantly increased GTV generated from online marketplaces by 88% due to the Acquisition and new compensation strategies focused on expansion of online marketplaces. Live on site auctions increased 6% primarily due to the Acquisition and strong live on site auction performance in Canada.

The total number of industrial and agricultural lots sold at live on site auctions decreased 2% to 299,350 lots in the first nine months of 2018 compared to 306,100 lots in the first nine months of 2017.

The volume of underwritten commission contracts increased to 16% compared to 15% of GTV in the first nine months of 2018 compared to the same period in 2017.

Total revenues

A&M total revenues by geographical region are presented below:

(in U.S. \$000's)	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Change	2018	2017	% Change
			2018 over 2017			2018 over 2017
United States	\$ 103,366	\$ 97,350	6%	\$ 356,222	\$ 296,867	20%
Canada	45,247	45,131	-	176,271	152,450	16%
International	69,963	60,237	16%	192,901	158,852	21%
A&M total revenues	\$ 218,576	\$ 202,718	8%	\$ 725,394	\$ 608,169	19%

Three months ended September 30, 2018 compared with three months ended September 30, 2017

The increase in A&M total revenues of \$15.9 million, or 8%, was primarily due to partial fee harmonization, as well as the following regional differences:

- United States: +6% increase that, in addition to the factors noted above, was also due to growth in revenue from Kruse Energy Auctioneers operations. The increase in revenues was partially offset by fewer live on site auction sales days.
- International: +16% increase that, in addition to the factors noted above, was also due to an increase in revenue from inventory sales primarily in Europe. The increase in the International region was partially offset by lower volume in our Australian operations.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

The increase in A&M total revenues of \$117.2 million, or 19%, was primarily due to the Acquisition, partial fee harmonization, as well as the following regional differences:

- United States: +20% increase was primarily due to the factors discussed above and an increase in service revenues from live on site auctions. These increases were partially offset by a decrease in revenue from inventory sales.
- Canada: +16% increase that, in addition to the factors noted above, was also due to an increase in service revenues from live on site auctions.
- International: +21% increase that, in addition to the factors noted above, was also due to an increase in revenue from inventory sales primarily in Europe.

Revenue rate

As A&M total revenues are generated from transactional asset disposition services, we believe these revenues are best understood by considering their relationship to GTV. The metric we use to measure that performance is A&M revenue rate, which is calculated as A&M total revenues divided by GTV.

Three months ended September 30, 2018 compared with three months ended September 30, 2017

A&M revenue rate was 21.0% and 19.9% for the three months ended September 30, 2018 and 2017, respectively. Our A&M agency proceeds (non-GAAP measure) were \$144.2 million and \$130.2 million, while A&M agency proceeds rate (non-GAAP measure) was 13.9% and 12.8% for the three months ended September 30, 2018 and 2017, respectively.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

A&M revenue rate was 20.0% and 19.2% for the nine months ended September 30, 2018 and 2017, respectively. Our A&M agency proceeds (non-GAAP measure) were \$493.6 million and \$400.6 million, for the nine months ended September 30, 2018 and 2017, respectively, while A&M agency proceeds rate (non-GAAP measure) was 13.6% and 12.6% for the nine months ended September 30, 2018 and 2017, respectively.

Costs of services

The A&M segment's costs of services by nature are presented below:

(in U.S. \$000's)	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Change	2018	2017	% Change
			2018 over 2017			2018 over 2017
Employee compensation	\$ 9,527	9,296	2%	\$ 28,848	23,201	24%
Buildings, facilities and technology	1,787	1,669	7%	6,706	5,225	28%
Travel, advertising and promotion	5,603	5,323	5%	19,573	17,350	13%
Other costs of services	3,142	2,093	50%	7,761	6,170	26%
A&M costs of services	\$ 20,059	\$ 18,381	9%	\$ 62,888	\$ 51,946	21%

Three months ended September 30, 2018 compared with three months ended September 30, 2017

The increase of \$1.7 million, or 9%, compared to the third quarter of 2017 was primarily due to ramp up costs related to GovPlanet's contracts with government agencies.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

A&M costs of services increased \$10.9 million, or 21%, primarily due to the Acquisition and costs associated with the inspection activities that support online marketplaces, which more customers used as our business continued to expand especially in North America. We also incurred additional cost of services to support GovPlanet's contracts with government agencies.

Cost of inventory sold

Three months ended September 30, 2018 compared with three months ended September 30, 2017

A&M cost of inventory sold increased \$1.9 million, or 3% primarily due to an increase in the volume of inventory contracts in our European operations that occurred in the three months ended September 30, 2018.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

A&M cost of inventory sold increased \$24.2 million, or 12% primarily due to an increase in the volume of inventory contracts, as well as the Acquisition.

SG&A expenses

A&M segment's SG&A expenses, which include corporate head office support costs, are presented by nature below:

(in U.S. \$000's)	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Change	2018	2017	% Change
			2018 over 2017			2018 over 2017
Employee compensation	\$ 53,330	\$ 53,112	0%	\$ 176,429	\$ 140,288	26%
Buildings, facilities and technology	14,635	13,069	12%	44,385	37,877	17%
Travel, advertising and promotion	8,951	8,092	11%	26,485	20,162	31%
Professional fees	2,698	3,067	(12%)	11,685	8,888	31%
Other SG&A expenses	3,927	4,396	(11%)	13,519	12,609	7%
A&M SG&A expenses	\$ 83,542	\$ 81,736	2%	\$ 272,503	\$ 219,824	24%

Three months ended September 30, 2018 compared with three months ended September 30, 2017

The increase in A&M SG&A expense of \$1.8 million, or 2% was primarily due an increase in overhead costs incurred to support GovPlanet's non-rolling stock contracts with the Defense Logistics Agency. The increase in A&M SG&A expense was partially offset by a reduction in bank charges attributable to a decrease in our credit facility. Foreign exchange had a positive impact on A&M SG&A expenses in the third quarter of 2018.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

A&M SG&A expenses increased \$52.7 million, or 24%. The increase was primarily due to the Acquisition, continued investments in talent to support growth of our businesses and initiatives, higher incentive compensation driven by year-over-year performance and enhanced sales compensation plans, an increase in professional fees, and overhead costs incurred to support GovPlanet's non-rolling stock contracts with the Defense Logistics Agency.

Productivity

The majority of our business continues to be generated by our A&M segment operations. Sales Force Productivity within this segment is an operational statistic that we believe provides a gauge of the effectiveness of our Revenue Producers in increasing GTV. 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 Sales Force Productivity as at and for the trailing 12-month period ended September 30, 2018 was \$11.3 million per Revenue Producer compared to \$11.1 million per Revenue Producer for the trailing 12-month period ended September 30, 2017. We believe the increase of \$0.2 million per Revenue Producer over the comparative period is evidence that our sales teams are continually progressing, as we have moved beyond the most complex stage of our integration.

Sales Force Productivity as at and for the 12-month period ended September 30, 2017 was calculated as the sum of the following two amounts:

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

Industrial live on site auction metrics

Total industrial live on site auction metrics

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Change 2018 over 2017	2018	2017	% Change 2018 over 2017
Bidder registrations	123,000	126,000	(2%)	383,500	404,000	(5%)
Consignment	13,600	13,900	(2%)	39,050	41,950	(7%)
Buyers	31,400	31,100	1%	96,750	100,650	(4%)
Lots	89,000	84,000	6%	273,500	276,000	(1%)

Three months ended September 30, 2018 compared with three months ended September 30, 2017

During the third quarter of 2018, we conducted 45 unreserved industrial live on site auctions in North America, Europe, the Middle East, Australia, and Asia, compared to 58 during the third quarter of 2017. Despite the decrease in the number of live auctions held during the quarter, our GTV was minimally impacted as we increased the average number of lots per live industrial auction.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

For the first nine months of 2018, we conducted 130 unreserved industrial live on site auctions in North America, Europe, the Middle East, Australia, and Asia, compared to 169 during the first nine months of 2017. Over this same comparative period, we increased our industrial live on site GTV despite a decrease in the number of auctions due to an increase in average number of lots per auction.

Average industrial live on site auction metrics

	12 months ended September 30,		
	2018	2017	Change 2018 over 2017
GTV	\$ 18.8 million	\$ 15.9 million	\$ 2.9 million
Bidder registrations	2,694	2,324	16%
Consignors	262	234	12%
Lots	1,846	1,589	16%

Twelve months trailing for September 30, 2018 compared with twelve months trailing for September 30, 2017

We saw an increase in average GTV per industrial auction for the 12 months ended September 30, 2018 compared to the 12 months ended September 30, 2017. We believe the increase was primarily driven by our site optimization strategy to achieve higher lots per auction, which was partially offset by the continued supply constraints for used equipment.

Online bidding

Three months ended September 30, 2018 compared with three months ended September 30, 2017

Internet bidders comprised 77% of the total bidder registrations at our live on site auctions in the third quarter of 2018 compared to 68% in the third quarter 2017. Across all channels, 60% of total GTV was purchased by online buyers in the third quarter of 2018 compared to 57% in the third quarter of 2017. This increase in internet bidders and online buyers show that we continued to promote multi-channel participation at our auctions through the third quarter of 2018.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

Internet bidders comprised 73% of the total bidder registrations at our live on site auctions in the first nine months of 2018 compared to 68% in the first nine months of 2017. Across all channels, 58% of total GTV was purchased by online buyers in the first nine months of 2018 compared to 53% in the first nine months of 2017.

Website metrics**Three months ended September 30, 2018 compared with three months ended September 30, 2017**

Traffic across all our websites increased 14% in the third quarter of 2018 compared to the third quarter of 2017 primarily due to increased traffic on our IronPlanet and GovPlanet websites.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

Traffic across all our websites increased 28% in the nine months ended September 30, 2018 compared to the same period in 2017, primarily due to increased traffic on our IronPlanet websites.

Segment Performance**Other services**

(in U.S. \$000's)	Three months ended September 30,			Nine months ended September 30,		
			% Change			% Change
	2018	2017	2018 over 2017	2018	2017	2018 over 2017
Service revenues	\$ 26,770	\$ 24,683	8%	\$ 88,660	\$ 71,272	24%
Costs of services	12,994	15,080	(14%)	49,855	42,147	18%
SG&A expenses	4,781	3,599	33%	14,549	10,463	39%
Other services profit	\$ 8,995	\$ 6,004	50%	\$ 24,256	\$ 18,662	30%

Three months ended September 30, 2018 compared with three months ended September 30, 2017

Service revenues from other services grew \$2.1 million, or 8%, primarily due to RBFS and Mascus performance.

Funded volume, which represents the amount of lending brokered by RBFS, increased 32% from \$65.0 million in the third quarter of 2017 to \$85.6 million in the third quarter of 2018. RBFS operating profit increased \$0.8 million or 53% over the same comparative period to \$2.3 million from \$1.5 million.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

Service revenue from other services grew \$17.4 million, or 24%, primarily due to increases in ancillary and logistical services revenues, RBFS, Mascus and Asset Appraisal Services.

Funded volume increased 43% from \$216.2 million in the first nine months of 2017 to \$309.5 million in the first nine months of 2018. RBFS operating profit increased \$2.7 million or 46%, over the same comparative period.

Liquidity and Capital Resources

Working capital

(in U.S. \$000's)	September 30, 2018		December 31, 2017		% Change
Current assets	\$	685,631	\$	508,487	35%
Current liabilities		534,731		388,455	38%
Working capital	\$	150,900	\$	120,032	26%

We believe that working capital is a more meaningful measure of our liquidity than cash alone. Our working capital increased during the nine months ended September 30, 2018, primarily due to the increase in our operating income generated during the period. This increase was partially offset by \$58.8 million of long-term debt repayments and the payment of \$56.1 million of dividends during the nine months ended September 30, 2018

Cash flows

(in U.S. \$000's)	Nine months ended September 30,			12 months ended September 30,		
			% Change			% Change
	2018	2017	2018 over 2017	2018	2017	2018 over 2017
Cash provided by (used in):						
Operating activities	\$ 97,147	\$ 98,517	(1%)	\$ 146,198	\$ 114,654	28%
Investing activities	(28,807)	(701,599)	(96%)	(38,162)	(721,145)	(95%)
Financing activities	(92,196)	142,043	(165%)	(114,976)	595,796	(119%)
Effect of changes in foreign currency rates	(3,215)	17,270	(119%)	(3,335)	10,618	(131%)
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ (27,071)	\$ (443,769)	(94%)	\$ (10,275)	\$ (77)	13244%

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 inventory purchases, the timing of the receipt of auction proceeds from buyers and payment of amounts due to consignors, as well as the location of the auction with respect to restrictions on the use of cash generated therein.

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

Net cash provided by operating activities decreased \$1.4 million in the first nine months of 2018 compared to the first nine months of 2017. The decrease included \$56.1 million more cash used in changes in operating assets and liabilities over the comparative period, primarily due to the timing and amount of trade receivable collections and auction proceed payable settlements, as well as an increase in our inventory. The net change in operating assets and liabilities was also impacted by cash required to early-settle certain trade and auction proceeds payable in the third quarter of 2018 compared to the third quarter of 2017 in relation to a conversion of our enterprise resource planning systems, effective October 1, 2018. Of the total inventory increase in the first nine months of 2018, \$27.1 million relates to purchases under our non-rolling stock contract with the Defense Logistics Agency in the United States. These decreases in cash provided by operating activities were partially offset by a net income increase of \$47.6 million in the first nine months of 2018 compared to the first nine months of 2017.

Twelve months ended September 30, 2018 compared with twelve months ended September 30, 2017

Net cash provided by operating activities for the 12 months ended September 30, 2018 was \$146.2 million comprised of \$122.9 million of net income and a net positive adjustment of \$69.1 million for items not affecting cash, partially offset by \$45.8 million of cash outflows from changes in operating assets and liabilities.

Net cash provided by operating activities for the 12 months ended September 30, 2017 of \$114.7 million was comprised of \$66.4 million in net income and a net positive adjustment of \$62.7 million for items not affecting cash, partially offset by \$14.4 million of cash outflows from changes in operating assets and liabilities.

Investing activities

Net cash used in investing activities decreased \$672.8 million, or 96% during the first nine months of 2018 compared to the first nine months of 2017. This decrease was primarily due to the Acquisition for \$675.9 million, net of cash acquired, in the third quarter of 2017, as well as proceeds of \$6.1 million on the sale of an equity accounted for investment in the third quarter of 2018.

CAPEX intensity presents net capital spending, which excludes acquisition investments, as a percentage of total revenues. 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.

CAPEX intensity for the 12 months ended September 30, 2018 increased 20 bps compared to CAPEX intensity for the 12 months of 2017, primarily due to a decrease in proceeds on disposition of property, plant and equipment over the comparative period.

The following table presents CAPEX intensity and agency proceeds CAPEX rate¹³ (non-GAAP measure) results for the trailing 12-month periods ended September 30, 2018 and 2017, as well as reconciles those metrics to property, plant and equipment additions, intangible asset additions, proceeds on disposition of property, plant and equipment, and total revenues, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements.

(in U.S. \$ millions)	12 months ended September 30,			% Change 2018 over 2017
	2018		2017	
Property, plant and equipment additions	\$ 16.1	\$	14.4	12%
Intangible asset additions	27.5		26.0	6%
Proceeds on disposition of property plant and equipment	(4.0)		(6.9)	(42%)
Net capital spending	\$ 39.6	\$	33.5	18%
Total revenues	1,105.8		974.3	13%
Less: cost of inventory sold	(330.7)		(344.6)	(4%)
Less: ancillary and logistical service expenses	(60.3)		(51.2)	18%
Agency proceeds (non-GAAP measure)	\$ 714.8	\$	578.5	24%
CAPEX intensity	3.6%		3.4%	20 bps
Agency proceeds CAPEX rate (non-GAAP measure)	5.5%		5.8%	-30 bps

¹³ Agency proceeds CAPEX rate is a non-GAAP financial measure that we believe, when compared on a trailing 12-month basis to different financial periods provides useful information as to the amount of capital expenditure that we require to generate revenues. It is not a measure of liquidity. We calculate agency proceeds CAPEX rate by dividing net capital spending by agency proceeds (non-GAAP measure).

The increase in cash provided by operating activities, partially offset by the increase in net capital spending, resulted in an increase in operating free cash flow (“OFCF”)¹⁴ (non-GAAP measure) of \$25.4 million, or 31%, to \$106.6 million in the 12 months ended September 30, 2018 from \$81.2 million in the 12 months ended September 30, 2017.

Financing activities

Net cash used by financing activities increased \$234.2 million in the first nine months of 2018 compared to the first nine months of 2017. This increase was primarily due to the financing of the Acquisition and subsequent debt repayments after it occurred in May 2017. For the nine months ended September 30, 2018, repayment of long-term debt totalled \$58.8 million, of which \$50.0 million were voluntary repayments. Partially offsetting these cash outflows was an increase of \$19.1 million in net proceeds from the issuance of share capital driven by greater stock option exercises during the first nine months of 2018 compared to the first nine months of 2017.

Dividend information

We declared and paid a regular cash dividend of \$0.17 per common share for September 30, 2017, December 31, 2017, and March 31, 2018. We declared and paid regular cash dividends of \$0.18 per common share for the quarter ended June 30, 2018. Subsequent to September 30, 2018, we declared a quarterly dividend of \$0.18 per common share, payable on December 19, 2018 to stockholders on record on November 28, 2018 which has not been recorded as a liability at September 30, 2018.

Total dividend payments paid to stockholders during the nine months ended September 30, 2018 and 2017 were \$56.1 million and \$54.6 million, respectively. All dividends that 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, decreased to 60.6% for the 12 months ended September 30, 2018 from 110.0% for the 12 months ended September 30, 2017. This decrease was primarily due to the increase in net income attributable to stockholders over the comparative period. Our adjusted dividend payout ratio¹⁵ (non-GAAP measure) decreased to 67.3% for the 12 months ended September 30, 2018 from 78.9% for the 12 months ended September 30, 2017.

Return on average invested capital

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 increased 220 bps to 7.9% for the 12-month period ended September 30, 2018 from 5.7% for the 12-month period ended September 30, 2017. This increase was primarily due to an increase in net income attributable to stockholders and partially offset by an increase in average invested capital over the comparative period, which was driven by the Acquisition and the associated debt. Return on invested capital (“ROIC”)¹⁶ (non-GAAP measure) decreased 80 bps to 7.1% during the 12 months ended September 30, 2018 compared to 7.9% for the 12 months ended September 30, 2017.

14 OFCF is a 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 certain executives. 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.

15 Adjusted dividend payout ratio is a 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.

16 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. We calculate ROIC as adjusted net income attributable to stockholders (non-GAAP measure) divided by average invested capital. We calculate average invested capital as the average long-term debt and average 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.

Debt and credit facilities

At September 30, 2018, our short-term debt of \$10.5 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 \$7.0 million at December 31, 2017 with a weighted average annual interest rate of 2.7%.

As at September 30, 2018, we had a total of \$751.8 million of long-term debt with a weighted average annual interest rate of 5.0%. This compares to long-term debt of \$812.9 million as at December 31, 2017 with a weighted average annual interest rate of 4.8%.

During the nine months ended September 30, 2018, we made voluntary prepayments totalling \$50.0 million on the term loan. Prepayments are applied against future scheduled mandatory payments. The amount available pursuant to the term loan facility was only available to finance the acquisition of IronPlanet and will not be available for other corporate purposes upon repayment of amounts borrowed under that facility.

On June 21, 2018, we reduced the amount available on our committed revolving credit facilities by \$185.0 million. At September 30, 2018, our credit agreement with a syndicate of lenders, and Bank of America, N.A. as the administrative agent, provides us with:

- Revolving facilities of up to \$490.0 million;
- The term loan facility used to finance the acquisition of IronPlanet; and
- At our election and subject to certain conditions, including receipt of related commitments, incremental term loan facilities and/or increases to the revolving facilities in an aggregate amount of up to \$50.0 million.

As at September 30, 2018, we also had \$10.0 million in credit facilities in certain foreign jurisdictions. It included \$5.0 million of a committed, revolving credit facility that expires on October 27, 2021. The remaining \$5.0 million was a demand facility that has no maturity date.

As at September 30, 2018, we had unused committed revolving credit facilities aggregating \$477.0 million, of which \$472.9 million is available until October 27, 2021.

Future scheduled principal and interest payments (assuming no changes in short-term rates from current levels) over the next five years relating to our long-term debt outstanding at September 30, 2018 are as follows:

(in U.S. \$000's)	Scheduled payments by due period					
	In 2018	In 2019	In 2020	In 2021	In 2022	Thereafter
On long-term debt:						
Principal	\$ 2,311	\$ 13,868	\$ 18,490	\$ 231,366	\$ -	\$ 500,000
Interest	2,788	37,770	37,088	34,698	26,875	67,188

Debt covenants

We were in compliance with all financial and other covenants applicable to our credit facilities at September 30, 2018.

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, Judgements, Estimates and Assumptions

Aside from the adoption of Topic 606, discussed below, there were no material changes in our critical accounting policies, judgements, estimates and assumptions from those disclosed in the following our Annual Report on Form 10-K for the year ended December 31, 2017, 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.

Effective January 1, 2018, we adopted Topic 606 using the full retrospective method. The primary impact of the adoption of Topic 606 is the change in the presentation of revenue earned from inventory sales and ancillary and logistical services. These revenues are presented gross of the related expenses rather than net. There was no impact on the timing of revenues recognized, amount of operating income or net income, or on the consolidated balance sheet or consolidated statements of cash flows due to the adoption of Topic 606. Prior periods presented have been restated to conform with this new revenue standard.

The following table reconciles revenues as previously reported to total revenues under Topic 606:

(in U.S. \$000's)	Prior to January 1, 2018		New Revenue Standard Adjustments		On and after January 1, 2018			
	Revenues as previously reported (a)		Cost of inventory sold ¹ (b)	Ancillary and logistical service expenses ² (c)		Total revenues under the new standard (a)+(b)+(c)=(d)		
Quarter ended:								
December 31, 2017	\$	178,785	\$	98,895	\$	14,070	\$	291,750
September 30, 2017		141,047		72,476		13,878		227,401
June 30, 2017		166,186		71,726		14,701		252,613
March 31, 2017		124,499		63,401		11,527		199,427
Full year 2017	\$	610,517	\$	306,498	\$	54,176	\$	971,191

The following table reconciles cost of services as previously reported to cost of services under Topic 606:

(in U.S. \$000's)	Prior to January 1, 2018		New Revenue Standard Adjustments		On and after January 1, 2018			
	Costs of services (a)		Ancillary and logistical service expenses ² (b)		Costs of services under the new standard (a) + (b) = (c)			
Quarter ended:								
December 31, 2017	\$	25,026	\$	14,070	\$		\$	39,096
September 30, 2017		19,583		13,878				33,461
June 30, 2017		21,591		14,701				36,292
March 31, 2017		12,813		11,527				24,340
Full year 2017	\$	79,013	\$	54,176	\$		\$	133,189

- (1) These amounts were historically disclosed under the Consolidated Financial Statement note entitled "Revenue" and are now presented on the face of our consolidated income statements effective January 1, 2018. Second and third quarter of 2017 amounts were restated in the fourth quarter of 2017 to conform with current presentation of certain government contracts.
- (2) Effective January 1, 2018, ancillary and logistical service expenses are now reported within costs of services under the Consolidated Financial Statement note entitled "Operating Expenses".

For further details on Topic 606, refer to the Annual Report on Form 10-K for the year ended December 31, 2017 and the Quarterly Report on Form 10-Q for the period ended March 31, 2018, and June 30, 2018.

Non-GAAP Measures

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

The following table presents our agency proceeds (non-GAAP measure) and agency proceeds adjusted operating income rate (non-GAAP measure) results for the three and nine months ended September 30, 2018 and 2017, as well as reconciles those metrics to total revenues and operating income margin, which are the most directly comparable GAAP measures in, or calculated from, our consolidated income statements:

(in U.S. \$000's)	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Change 2018 over 2017	2018	2017	% Change 2018 over 2017
Operating income	\$ 31,194	\$ 16,931	84%	\$ 128,862	\$ 67,416	91%
Pre-tax adjusting items:						
Accelerated vesting of assumed options	-	-	-	-	4,752	(100%)
Acquisition and finance structure advisory	-	-	-	-	9,063	(100%)
Severance and retention	1,501	-	100%	1,501	1,447	4%
Impairment loss	-	-	-	-	8,911	(100%)
Adjusted operating income (non-GAAP measure)	32,695	16,931	93%	130,363	91,589	42%
Total revenues	245,346	227,401	8%	814,054	679,441	20%
Less: cost of inventory sold	(74,341)	(72,476)	3%	(231,834)	(207,603)	12%
Less: ancillary and logistical service expenses	(11,682)	(13,878)	(16%)	(46,242)	(40,106)	15%
Agency proceeds (non-GAAP measure)	\$ 159,323	\$ 141,047	13%	\$ 535,978	\$ 431,732	24%
Operating income margin	12.7%	7.4%	530 bps	15.8%	9.9%	590 bps
Agency proceeds adjusted operating income rate (non-GAAP measure)	20.5%	12.0%	850 bps	24.3%	21.2%	310 bps

(1) Please refer to page 58 for a summary of adjusting items during the trailing 12-months ended September 30, 2018 and September 30, 2017.

The following table presents our adjusted net income attributable to stockholders (non-GAAP measure) and diluted adjusted EPS attributable to stockholders (non-GAAP measure) results for the three and nine months ended September 30, 2018, and 2017, as well as reconciles those metrics to net income attributable to stockholders 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 September 30,			Nine months ended September 30,		
	2018	2017	% Change 2018 over 2017	2018	2017	% Change 2018 over 2017
Net income attributable to stockholders	\$ 23,138	\$ 10,261	125%	\$ 85,993	\$ 38,273	125%
Pre-tax adjusting items:						
Accelerated vesting of assumed options	-	-	-	-	4,752	(100%)
Acquisition and finance structure advisory	-	-	-	-	9,063	(100%)
Severance and retention	1,501	-	100%	1,501	1,447	4%
Gain on sale of equity accounted for investment	(4,935)	-	100%	(4,935)	-	100%
Impairment loss	-	-	-	-	8,911	(100%)
Current income tax effect of adjusting items:						
Acquisition and finance structure advisory	-	-	-	-	(2,447)	(100%)
Severance and retention	(376)	-	100%	(376)	(564)	(33%)
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)	\$ 19,328	\$ 10,261	88%	\$ 82,183	\$ 59,364	38%
Effect of dilutive securities	\$ -	\$ -	-	\$ -	(50)	(100%)
Weighted average number of dilutive shares outstanding	109,887,194	108,178,303	2%	109,133,378	108,069,624	1%
Diluted earnings per share attributable to stockholders	\$ 0.21	\$ 0.09	133%	0.79	0.35	126%
Diluted adjusted EPS attributable to stockholders (non-GAAP measure)	\$ 0.18	\$ 0.09	100%	0.75	0.55	36%

(1) Please refer to page 58 for a summary of adjusting items during the trailing 12-months ended September 30, 2018 and September 30, 2017.

The following table presents our adjusted EBITDA (non-GAAP measure) and agency proceeds adjusted EBITDA rate (non-GAAP measure) results for the three and nine months ended September 30, 2018 and 2017, as well as reconciles those metrics to net income and net income margin, which are the most directly comparable GAAP measures in, or calculated from, our consolidated income statements:

(in U.S. \$000's)	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Change 2018 over 2017	2018	2017	% Change 2018 over 2017
Net income	\$ 23,112	\$ 10,323	124%	\$ 86,046	\$ 38,469	124%
<i>Add:</i> depreciation and amortization expenses	16,723	14,837	13%	49,451	37,047	33%
<i>Add:</i> interest expense	10,473	10,558	(1%)	32,720	27,311	20%
<i>Less:</i> interest income	(780)	(517)	51%	(2,009)	(2,459)	(18%)
<i>Add:</i> income tax expense	4,791	(3,358)	243%	19,091	7,982	139%
Pre-tax adjusting items:						
Accelerated vesting of assumed options	-	-	-	-	4,752	(100%)
Acquisition and finance structure advisory	-	-	-	-	9,063	(100%)
Severance and retention	1,501	-	100%	1,501	1,447	4%
Gain on sale of equity accounted for investment	(4,935)	-	100%	(4,935)	-	100%
Impairment loss	-	-	-	-	8,911	(100%)
Adjusted EBITDA (non-GAAP measure)	50,885	31,843	60%	181,865	132,523	37%
Total revenues	245,346	227,401	8%	814,054	679,441	20%
<i>Less:</i> cost of inventory sold	(74,341)	(72,476)	3%	(231,834)	(207,603)	12%
<i>Less:</i> ancillary and logistical service expenses	(11,682)	(13,878)	(16%)	(46,242)	(40,106)	15%
Agency proceeds (non-GAAP measure)	\$ 159,323	\$ 141,047	13%	\$ 535,978	\$ 431,732	24%
Net income margin	9.4%	4.5%	490 bps	10.6%	5.7%	490 bps
Agency proceeds adjusted EBITDA rate (non-GAAP measure)	31.9%	22.6%	930 bps	33.9%	30.7%	320 bps

(1) Please refer to page 58 for a summary of adjusting items during the trailing 12-months ended September 30, 2018 and September 30, 2017.

The following table presents our adjusted EBITDA (non-GAAP measure) and adjusted net debt/adjusted EBITDA (non-GAAP measure) results as at and for the 12 months ended September 30, 2018 and 2017, as well as reconciles those metrics to debt, cash and cash equivalents, net income, and debt as a multiple of net income, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements.

(in U.S. \$ millions)	As at and for the 12 months ended September 30,			% Change 2018 over 2017
	2018	2017		
Short-term debt	\$ 10.5	\$ 8.6		22%
Long-term debt	751.8	817.9		(8%)
Debt	762.3	826.5		(8%)
Less: cash and cash equivalents	(228.8)	(224.5)		2%
Adjusted net debt (non-GAAP measure)	533.5	602.0		(11%)
Net income	\$ 122.9	\$ 66.4		85%
Add: depreciation and amortization expenses	65.1	47.3		38%
Add: interest expense	43.7	29.5		48%
Less: interest income	(2.7)	(3.0)		(10%)
Add: income tax expense	13.2	15.0		(12%)
Pre-tax adjusting items:				
Accelerated vesting of assumed options	-	4.8		(100%)
Acquisition and finance structure advisory	-	9.1		(100%)
Severance and retention	3.7	1.4		164%
Gain on sale of equity accounted for investment	(4.9)	-		100%
Impairment loss	-	8.9		(100%)
Debt extinguishment costs	-	6.8		(100%)
Adjusted EBITDA (non-GAAP measure)	\$ 241.0	\$ 186.2		29%
Debt/net income	6.2x	12.4x		(50%)
Adjusted net debt/adjusted EBITDA (non-GAAP measure)	2.2x	3.2x		(31%)

(1) Please refer to page 58 for a summary of adjusting items during the trailing 12-months ended September 30, 2018 and September 30, 2017.

The following table presents our A&M agency proceeds (non-GAAP measure) and A&M agency proceeds rate (non-GAAP measure) results for the three and nine months ended September 30, 2018, and 2017, as well as reconciles those metrics to A&M total revenues and A&M revenue rate, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements:

(in U.S. \$000's)	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Change	2018	2017	% Change
			2018 over 2017			2018 over 2017
A&M total revenues	\$ 218,576	\$ 202,718	8%	\$ 725,394	\$ 608,169	19%
Less: cost of inventory sold	(74,341)	(72,476)	3%	(231,834)	(207,603)	12%
A&M agency proceeds (non-GAAP measure)	144,235	130,242	11%	493,560	400,566	23%
GTV	\$ 1,039,427	\$ 1,019,322	2%	\$ 3,626,551	\$ 3,173,050	14%
A&M revenue rate	21.0%	19.9%	110 bps	20.0%	19.2%	80 bps
A&M agency proceeds rate (non-GAAP measure)	13.9%	12.8%	110 bps	13.6%	12.6%	100 bps

The following table presents our OFCF (non-GAAP measure) results on a trailing 12-month basis ended September 30, 2018 and 2017, as well as reconciles that metric to cash provided by operating activities and net capital spending, which are the most directly comparable GAAP measures in, or calculated from, our consolidated statements of cash flows:

(in U.S. \$ millions)	12 months ended September 30,		
	2018	2017	% Change
			2018 over 2017
Cash provided by operating activities	\$ 146.2	\$ 114.7	27%
Property, plant and equipment additions	16.1	14.4	12%
Intangible asset additions	27.5	26.0	6%
Proceeds on disposition of property plant and equipment	(4.0)	(6.9)	(42%)
Net capital spending	\$ 39.6	\$ 33.5	18%
OCFC (non-GAAP measure)	\$ 106.6	\$ 81.2	31%

Our adoption of ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* effective January 1, 2018, resulted in the \$1.3 million Mascus contingent consideration paid in the second quarter of 2017 to be reclassified retrospectively from operating to financing cash flows, which is reflected in the \$114.7 million.

The following table presents our adjusted net income attributable to stockholders (non-GAAP measure) and adjusted dividend payout ratio (non-GAAP measure) on a trailing 12-month basis ended September 30, 2018 and September 30, 2017, and reconciles those metrics to net income attributable to stockholders, and dividend payout ratio, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements:

(in U.S. \$ millions)	12 months ended September 30,			% Change 2018 over 2017
	2018		2017	
Dividends paid to stockholders	\$ 74.3	\$	72.7	2%
Net income attributable to stockholders	\$ 122.7	\$	66.1	86%
Pre-tax adjusting items:				
Accelerated vesting of assumed options	-		4.8	(100%)
Acquisition and finance structure advisory	-		9.1	(100%)
Severance and retention	3.7		1.4	164%
Impairment loss	-		8.9	(100%)
Debt extinguishment costs	-		6.8	(100%)
Gain on sale of equity accounted for investment	(4.9)		-	100%
Current income tax effect of adjusting items:				
Acquisition and finance structure advisory	-		(2.4)	(100%)
Severance and retention	(0.6)		(0.6)	-
Debt extinguishment costs	-		(1.8)	(100%)
Deferred income tax effect of adjusting items:				
Severance and retention	(0.4)		-	100%
Impairment loss	-		(2.4)	(100%)
Current income tax adjusting item:				
Change in uncertain tax provision	-		2.3	(100%)
Deferred tax adjusting item:				
Remeasurement of deferred taxes	(10.1)		-	100%
Adjusted net income attributable to stockholders (non-GAAP measure)	\$ 110.4	\$	92.2	20%
Dividend payout ratio	60.6%		110.0%	-4940 bps
Adjusted dividend payout ratio (non-GAAP measure)	67.3%		78.9%	-1160 bps

(1) Please refer to page 58 for a summary of adjusting items during the trailing 12-months ended September 30, 2018 and September 30, 2017.

The table on the following page presents our adjusted net income attributable to stockholders (non-GAAP measure) and ROIC (non-GAAP measure) results as at and for the 12-month period ended September 30, 2018 and 2017, and reconciles those metrics to net income attributable to stockholders, long-term debt, stockholders' equity, and return on average invested capital, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements:

(in U.S. \$ millions)	As at and for the 12 months ended September 30,				
	2018		2017		% Change 2018 over 2017
Net income attributable to stockholders	\$	122.7	\$	66.1	86%
Pre-tax adjusting items:					
Accelerated vesting of assumed options		-		4.8	(100%)
Acquisition and finance structure advisory		-		9.1	(100%)
Severance and retention		3.7		1.4	164%
Impairment loss		-		8.9	(100%)
Debt extinguishment costs		-		6.8	(100%)
Gain on sale of equity accounted for investment		(4.9)		-	100%
Current income tax effect of adjusting items:					
Acquisition and finance structure advisory		-		(2.4)	(100%)
Severance and retention		(0.6)		(0.6)	-
Debt extinguishment costs		-		(1.8)	(100%)
Deferred income tax effect of adjusting items:					
Severance and retention		(0.4)		-	100%
Impairment loss		-		(2.4)	(100%)
Current income tax adjusting item:					
Change in uncertain tax provision		-		2.3	(100%)
Deferred tax adjusting item:					
Remeasurement of deferred taxes		(10.1)		-	100%
Adjusted net income attributable to stockholders (non-GAAP measure)	\$	110.4	\$	92.2	20%
Opening long-term debt	\$	817.9	\$	101.6	705%
Ending long-term debt		751.8		817.9	(8%)
Average long-term debt	\$	784.9	\$	459.8	71%
Opening stockholders' equity	\$	714.7	\$	689.6	4%
Ending stockholders' equity		815.5		714.7	14%
Average stockholders' equity		765.1		702.2	9%
Average invested capital	\$	1,550.0	\$	1,162.0	33%
Return on average invested capital ⁽¹⁾		7.9%		5.7%	220 bps
ROIC (non-GAAP measure) ⁽²⁾		7.1%		7.9%	-80 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 adjusted average invested capital (non-GAAP measure).

(3) Please refer to page 58 for a summary of adjusting items during the trailing 12-months ended September 30, 2018 and September 30, 2017.

The adjusting items during the trailing 12-months ended September 30, 2018 were:

Recognized in the third quarter of 2018

- \$1.5 million (\$1.1 million after tax, or \$0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Acquisition; and
- \$4.9 million (\$4.9 million after tax, or \$0.04 per diluted share) due to gain on sale of an equity accounted for investment.

Recognized in the second quarter of 2018

There were no adjustment items recognized in the second quarter of 2018.

Recognized in the first quarter of 2018

There were no adjustment items recognized in the first quarter of 2018.

Recognized in the fourth quarter of 2017

- \$2.2 million (\$1.6 million after tax, or \$0.02 per diluted share) of severance and retention costs in a corporate reorganization that followed the Acquisition; and
- \$10.1 million (or \$0.10 per diluted share) benefit on remeasurement of deferred taxes due to the Tax Cuts and Jobs Act.

The adjusting items during the trailing 12-months ended September 30, 2017 were:

Recognized in the third quarter of 2017

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

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 Acquisition;
- \$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 Acquisition; and
- \$8.9 million (\$6.6 million after tax, or \$0.06 per diluted share) impairment loss recognized on various technology assets.

Recognized in the first quarter of 2017

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

Recognized in the fourth quarter of 2016

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

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our market risk during the three months ended September 30, 2018 from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017, which is available on our website at www.rbauction.com, on EDGAR at www.sec.gov, or on SEDAR at www.sedar.com.

ITEM 4: CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management of the Company, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), have evaluated the effectiveness of the Company’s disclosure controls and procedures as at September 30, 2018. The term “disclosure controls and procedures” means controls and other procedures established by the Company that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Based upon their evaluation of the Company’s disclosure controls and procedures, the CEO and the CFO concluded that the disclosure controls are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms.

The Company, including its CEO and CFO, does not expect that its internal controls and procedures will prevent or detect all error and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Changes in Internal Control over Financial Reporting

Management, with the participation of the CEO and CFO, concluded that there were no changes in the Company’s internal control over financial reporting during the quarter ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.