

## 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.rbaction.com](http://www.rbaction.com), on EDGAR at [www.sec.gov](http://www.sec.gov), or on SEDAR at [www.sedar.com](http://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")<sup>1</sup>, 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 \$1.4 billion of used equipment and other assets during the second 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.

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<sup>1</sup> 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 \$45.7 million improved 159% compared to \$17.6 million for the same quarter in 2017. Diluted earnings per share (“EPS”) attributable to stockholders increased 163% to \$0.42 versus \$0.16 in the second quarter of 2017, while diluted adjusted EPS attributable to stockholders<sup>2</sup> (non-GAAP measure) increased 27% to \$0.42 from \$0.33 in the same respective period. Other key second quarter highlights included:

### Consolidated results:

- Total revenues of \$308.5 million increased 22% over the second quarter of 2017
- Total Company agency proceeds<sup>3</sup> (non-GAAP measure) of \$206.8 million increased 24% from \$166.2 million in the second quarter of 2017
- Cash provided by operating activities of \$107.9 million for the six-month period ended June 30, 2018
- Repayment of \$27.3 million of long-term debt in the second quarter of 2018, and \$56.6 million for the six months ended June 30, 2018
- Increased quarterly cash dividend by 6% to \$0.18 per share

### A&M segment results:

- GTV of \$1.4 billion increased 14% from \$1.3 billion in the second quarter of 2017
- Total revenues of \$274.3 million increased 21% from \$226.4 million in the second quarter of 2017
- A&M agency proceeds<sup>4</sup> (non-GAAP measure) of \$192.5 million increased 25% from \$154.6 million in the second quarter of 2017
- A&M revenue rate<sup>5</sup> and A&M agency proceeds rate<sup>6</sup> (non-GAAP measure) each improved 120 basis points (“bps”) over the second 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 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’. 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 June 30,			Six months ended June 30,		
	2018	2017	% Change	2018	2017	% Change
			2018 over 2017			2018 over 2017
(in U.S. \$000's, except EPS)						
Service revenues	\$ 214,346	\$ 172,749	24%	\$ 390,362	\$ 296,128	32%
Revenue from inventory sales	94,184	79,864	18%	178,346	155,912	14%
Total revenues	308,530	252,613	22%	568,708	452,040	26%
Costs of services	43,033	36,292	19%	79,690	60,632	31%
Cost of inventory sold	81,702	71,726	14%	157,493	135,127	17%
Selling, general and administrative expenses ("SG&A")	101,259	74,377	36%	198,729	144,952	37%
Acquisition-related costs	1,399	22,948	(94%)	3,032	31,575	(90%)
Depreciation and amortization expenses	16,537	11,872	39%	32,728	22,210	47%
Gain on disposal of property, plant and equipment	(271)	(308)	(12%)	(616)	(1,029)	(40%)
Impairment loss	-	8,911	(100%)	-	8,911	(100%)
Foreign exchange loss (gain)	76	(93)	(182%)	(16)	(823)	(98%)
Operating income	64,795	26,888	141%	97,668	50,485	93%
Operating income margin	21.0%	10.6%	1040 bps	17.2%	11.2%	600 bps
Interest expense	(10,937)	(8,620)	27%	(22,247)	(16,753)	33%
Other income, net	900	3,470	(74%)	1,813	5,754	(68%)
Income tax expense	9,031	4,025	124%	14,300	11,340	26%
Net income attributable to stockholders	45,717	17,635	159%	62,855	28,012	124%
Diluted earnings per share attributable to stockholders	\$ 0.42	\$ 0.16	163%	\$ 0.58	\$ 0.26	123%
Effective tax rate	16%	19%	-300 bps	19%	29%	-1000 bps
GTV	\$ 1,426,412	\$ 1,254,318	14%	\$ 2,587,124	\$ 2,153,728	20%
Agency proceeds (non-GAAP measure)	206,848	166,186	24%	376,655	290,685	30%

## Consolidated Results

### Total revenues

#### ***Three months ended June 30, 2018 compared with three months ended June 30, 2017***

Total revenues increased \$55.9 million, or 22%, primarily due to incremental volume from the Acquisition for which the second quarter of 2018 included three full months of Acquisition volume versus one month of post-Acquisition activity in the second quarter of 2017. The increase was also due to positive performance of our live on site and online auctions driven by continued price realization, an increase in revenue from inventory sales, the partial fee harmonization, and ancillary and logistical services. Foreign exchange had a positive impact on total revenue in the second quarter of 2018.

These increases were partially offset by decreases in live on site auction service revenues primarily resulting from changes to our auction calendar combined with the closure of five auction sites. Those changes reduced the number of live on site auctions from 157 in the second quarter of 2017 to 152 in the second quarter of 2018, as well as the number of sale days over the comparative period. In the current quarter, we had 50 industrial auctions, down 20 compared to the same period in 2017, while our agricultural auctions increased by 15 to 102 over the same comparative period.

Our calendar optimization efforts resulted in some auctions that occurred in June 2017 being shifted to July 2018. Overall, we believe the positive comparable performance of our live on site auctions despite a reduction in the number of sale days demonstrates the effectiveness of our site optimization strategy inclusive of the closure of five auction sites at the end of 2017.

#### ***Six months ended June 30, 2018 compared with six months ended June 30, 2017***

Total revenues increased \$116.7 million, or 26%, which was mainly due to incremental volume from the Acquisition. The first half of 2018 included six full months of Acquisition volume versus one month of post-Acquisition activity in the first half of 2017. The increase was also due to positive performance of our live on site and online auctions driven by continued price realization, an increase in revenues from inventory sales, the partial fee harmonization, and ancillary and logistical services. Foreign exchange had a positive impact on total revenues in the first half of 2018. These increases were partially offset by decreases in live on site auction service revenues primarily due to calendar changes.

As part of our calendar optimization efforts and site closures, we reduced the number of live on site auctions from 218 in the first half of 2017 to 204 in the first half of 2018, as well as the number of sale days over the comparative period in our auction calendar. We held 26 less industrial auctions in the first half of 2018 compared to the first half of 2017, offset by an increase of 12 agricultural auctions over the same comparative period.

### 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 June 30, 2018 compared with three months ended June 30, 2017**

(in U.S. \$000's)	United States	Canada	Europe	Other	Consolidated
Total revenues for the three months					
ended June 30, 2018	\$ 142,931	\$ 82,776	\$ 44,826	\$ 37,997	\$ 308,530
Proportion of consolidated amount	46%	27%	15%	12%	100%
Total revenues for the three months					
ended June 30, 2017	\$ 107,943	\$ 78,366	\$ 34,598	\$ 31,706	\$ 252,613
Proportion of consolidated amount	42%	31%	14%	13%	100%
Change 2018 over 2017:					
\$ change	\$ 34,988	\$ 4,410	\$ 10,228	\$ 6,291	\$ 55,917
% change	32%	6%	30%	20%	22%

The 32% or \$35.0 million increase in total revenues to \$142.9 million in the United States was primarily due to the Acquisition, increases in revenue from inventory sales, and the partial fee harmonization. We also experienced growth in our Asset Appraisal Services. The increase in revenue from inventory sales was bolstered by strong price performance of construction assets as equipment supply remained constrained in the second quarter of 2018.

In Canada, total revenues increased 6% or \$4.4 million to \$82.8 million primarily due to higher service revenues from our live on site auctions, growth of RBFS, partial fee harmonization, and the Acquisition. Service revenue increases in this region were driven by strong price performance of vocational assets and the inclusion of complete dispersal and large oilfield packages in our April 2018 Edmonton auction, which attracted higher than average participation from American bidders. The increases in Canada were partially offset by a decrease in revenue from inventory sales.

The increase in total revenues in Europe by 30% or \$10.2 million to \$44.8 million was primarily due to the Acquisition, higher revenues from inventory sales, growth of our RB Logistics' services, partial fee harmonization, and growth of Mascus. These increases were partially offset by a decrease in service revenues from our live on site auctions primarily due to auction calendar changes. The increase in revenues in other regions was primarily due to higher revenues from inventory sales in Australia.

These increases were partially offset by decreases in the number of live on site auctions and sale days over the comparative period as part of our site and auction calendar optimization efforts for all the geographical regions.

**Six months ended June 30, 2018 compared with six months ended June 30, 2017**

(in U.S. \$000's)	United States	Canada	Europe	Other	Consolidated
Total revenues for the six months ended June 30, 2018	\$ 278,499	\$ 148,585	\$ 79,398	\$ 62,226	\$ 568,708
Proportion of consolidated amount	49%	26%	14%	11%	100%
Total revenues for the six months ended June 30, 2017	\$ 220,027	\$ 119,859	\$ 52,865	\$ 59,289	\$ 452,040
Proportion of consolidated amount	48%	27%	12%	13%	100%
Change 2018 over 2017:					
\$ change	\$ 58,472	\$ 28,726	\$ 26,533	\$ 2,937	\$ 116,668
% change	27%	24%	50%	5%	26%

Our revenues in the United States increased \$58.5 million or 27% to \$278.5 million primarily due to the Acquisition, the partial fee harmonization, and growth of our Asset Appraisal Services. These increases were partially offset by a decrease in revenue from inventory sales, as well as a reduction in service revenues from our live on site auctions primarily due to auction calendar changes.

In Canada, total revenues increased \$28.7 million or 24% to \$148.6 million primarily due to higher revenue from inventory sales, increased service revenues from our live on site auctions, partial fee harmonization, growth of RBFS, and the Acquisition.

The \$26.5 million or 50% increase in total revenues to \$79.4 million in Europe was primarily due to higher revenue from inventory sales, the Acquisition, growth of our RB Logistics' services, the partial fee harmonization, and growth of Mascus. These increases were partially offset by a decrease in service revenues from our live on site auctions primarily due to auction calendar changes.

Total revenues in our international region increased primarily due to the partial fee harmonization and higher revenue from inventory sales, partially offset by a decrease in service revenues from our live on site auctions.

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

Costs of services increased \$6.7 million, or 19%, primarily due to the Acquisition, which included three months of costs associated with inspection and appraisal activities in the second quarter of 2018 versus one month of costs in the second quarter of 2017. Increases were also driven by incremental costs required to support the growth of our service revenues, which increased 24% and, in particular, our ancillary and logistical services, which increased 31% over the comparative period.

**Six months ended June 30, 2018 compared with six months ended June 30, 2017**

Costs of services increased \$19.1 million, or 31%, primarily due to the Acquisition and the incremental costs required to support the growth of our service revenues, which increased 32% and, in particular, our ancillary and logistical services revenue, which also increased 32% over the comparative period.

### **Cost of inventory sold**

#### ***Three months ended June 30, 2018 compared with three months ended June 30, 2017***

Cost of inventory sold increased \$10.0 million, or 14%, primarily due to higher revenue from inventory sales in Europe, Australia, and the United States, which were driven principally by net price appreciation across most asset classes. These increases were partially offset by a decrease in revenue from inventory sales in Canada.

#### ***Six months ended June 30, 2018 compared with six months ended June 30, 2017***

Cost of inventory sold increased \$22.4 million, or 17%, primarily due to higher revenue from inventory sales in Europe and Canada, which were driven principally by net price appreciation across most asset classes. These increases were partially offset by a decrease in revenue from inventory sales in the United States.

### **SG&A expenses**

#### ***Three months ended June 30, 2018 compared with three months ended June 30, 2017***

SG&A expenses increased \$26.9 million, or 36%, 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, as well as an increase in professional fees. The increase was also due to the unfavorable impact of foreign exchange during the comparative period.

The Acquisition drove increases in our employee compensation, technology support costs, and additional advertising to promote our online marketplace sales.

The new enhanced sales compensation plans implemented in 2018 are designed to align sales efforts with our multi-channel strategy. We believe these enhanced incentive plans are getting traction as evidenced by the increase in volume of GTV in our online marketplaces.

In the comparative period, there was a decrease in share prices that resulted in a positive impact on share unit expenses through the mark-to-market fair value decrease of certain share units. On March 1, 2018, we modified certain of our share units from liability-classified to equity-classified, which no longer requires us to mark them to market at each reporting date.

#### ***Six months ended June 30, 2018 compared with six months ended June 30, 2017***

SG&A expenses increased \$53.8 million, or 37%, primarily due to the Acquisition and investments in talent to support growth of our businesses and initiatives, an increase in professional fees, and a negative impact of foreign exchange, as discussed above.

### **Acquisition-related costs**

#### ***Three months ended June 30, 2018 compared with three months ended June 30, 2017***

There was a significant decrease in acquisition-related costs of \$21.5 million, or 94%, primarily due to the timing of the Acquisition that closed on May 31, 2017. Costs incurred in the second quarter of 2017 related to the Acquisition included: acquisition and finance structure advisory fees, stock option compensation expenses resulting from accelerated vesting of options assumed as part of the Acquisition, legal fees related to the regulatory approval process and closing of the transaction, severance and retention costs that followed the Acquisition in the resulting corporate organization, and various integration costs.

#### ***Six months ended June 30, 2018 compared with six months ended June 30, 2017***

There was a significant decrease in acquisition-related costs of \$28.5 million, or 90%, primarily due to the timing of the Acquisition which closed on May 31, 2017.

### **Impairment loss**

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

### **Operating income**

#### ***Three months ended June 30, 2018 compared with three months ended June 30, 2017***

The operating income increase of \$37.9 million, or 141%, was driven by higher total revenues combined with lower acquisition-related costs and impairment losses. The increase was partially offset by higher SG&A expenses, cost of inventory sold, costs of services, and depreciation and amortization expenses. Foreign exchange had a positive impact on operating income in the second quarter of 2018. Adjusted operating income<sup>7</sup> (non-GAAP measure) increased 27% during the second quarter of 2018 compared to the second quarter of 2017, which excluded the impact of non-recurring acquisition-related costs and an impairment loss recognized on various technology assets in the second quarter of 2017. There were no adjusting items in the second quarter of 2018.

Operating income margin, which is our operating income divided by revenues, increased 1040 bps to 21.0% in the second quarter of 2018 compared to 10.6% in the second quarter of 2017. This increase is primarily due to the percentage increase in operating income exceeding the percentage increase in total revenues. Agency proceeds adjusted operating income rate<sup>8</sup> (non-GAAP measure) was 31.3% in the second quarter of 2018 compared to 30.7% in the second quarter of 2017.

#### ***Six months ended June 30, 2018 compared with six months ended June 30, 2017***

The operating income increase of \$47.2 million, or 93%, was driven by higher total revenues combined with lower acquisition-related costs and impairment losses. The increase was partially offset by higher SG&A expenses, cost of inventory sold, costs of services, and depreciation and amortization expenses. Excluding the impact of non-recurring acquisition related costs as well as an impairment loss recognized on various technology assets in the first half of 2017, adjusted operating income (non-GAAP measure) increased 31% during the first half of 2018 compared to the second quarter of 2017. There were no adjusting items in the first half of 2018.

Operating income margin increased 600 bps to 17.2% in the first half of 2018 compared to 11.2% in the first half of 2017. This increase is primarily due to the percentage increase in operating income exceeding the percentage increase in total revenues. Agency proceeds adjusted operating income rate (non-GAAP measure) was 25.9% in the first half of 2018 compared to 25.7% in the first half of 2017.

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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.

## **Interest expense**

### ***Three months ended June 30, 2018 compared with three months ended June 30, 2017***

Interest expense increased \$2.3 million, or 27%, primarily due to the additional indebtedness to finance the Acquisition and an increase in short-term interest over the comparative period. This increase was partially offset by a reduction in interest expense resulting from our \$25.0 million voluntary prepayment of the term loan in the first quarter of 2018, and an additional \$25.0 million voluntary prepayment in the second quarter of 2018. As of June 30, 2018, our long-term debt was \$750.4 million compared to \$814.3 million as of June 30, 2017.

### ***Six months ended June 30, 2018 compared with six months ended June 30, 2017***

Interest expense increased \$5.5 million, or 33%, for the reasons discussed above and was also partially offset by the reduction in interest expense resulting from our \$50.0 million voluntary prepayment of the term loan in the first half of 2018.

## **Income tax expense and effective tax rate**

### ***Three months ended June 30, 2018 compared with three months ended June 30, 2017***

For the three months ended June 30, 2018, income tax expense was \$9.0 million, compared to an income tax expense of \$4.0 million for the same period in 2017. Our effective tax rate was 16% in the second quarter of 2018, compared to 19% in the second quarter of 2017. The effective tax rate decreased in the second quarter of 2018 compared to the second quarter of 2017 primarily because of a \$2.7 million income tax recovery relating to a decrease in uncertain tax positions. Additionally, in 2018 less annual non-deductible acquisition costs were estimated which was partially offset by our estimated Base Erosion Anti-Abuse Tax ("BEAT").

### ***Six months ended June 30, 2018 compared with six months ended June 30, 2017***

For the six months ended June 30, 2018, income tax expense was \$14.3 million compared to an income tax expense of \$11.3 million for the same period in 2017. Our effective tax rate was 19% for the six months ended June 30, 2018, compared to 29% for the six months ended June 30, 2017. The effective tax rate decreased in the six months ended June 30, 2018 compared to the six months ended June 30, 2017 primarily because in 2017 a \$2.6 million year-to-date income tax expense relating to an increase in uncertain tax positions was recognized whereas in 2018 a \$2.4 million year-to-date income tax recovery relating to a decrease in uncertain tax positions was recorded. Additionally, in 2018 there was a greater proportion of income taxed in jurisdictions with lower rates which was partially offset by our estimated BEAT.

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 recorded 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 June 30, 2018 compared with three months ended June 30, 2017***

Net income attributable to stockholders increased \$28.1 million, or 159%, primarily due to the increase in our operating income partially offset by higher income tax expense and interest expense. Adjusted net income attributable to stockholders<sup>9</sup> (non-GAAP measure) increased \$9.3 million, or 25%, to \$45.7 million in the second quarter of 2018 from \$36.4 million in the second quarter of 2017.

Similarly, net income increased \$28.0 million, or 158% to \$45.7 million in the second quarter of 2018 from \$17.7 million in the second quarter of 2017. Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”)<sup>10</sup> (non-GAAP measure) increased \$16.0 million, or 24%, to \$81.4 million in the second quarter of 2018 from \$65.4 million in the second quarter of 2017.

Net income margin increased 780 bps to 14.8% in the second quarter of 2018 from 7.0% in the second quarter of 2017. Agency proceeds adjusted EBITDA rate<sup>11</sup> (non-GAAP measure) remained consistent at 39.4% over the comparative period.

### ***Six months ended June 30, 2018 compared with six months ended June 30, 2017***

Net income attributable to stockholders increased \$34.8 million, or 124%, in the first half of 2018 compared to the first half of 2017. This increase was primarily due to the increase in our operating income partially offset by higher interest expense and income tax expense. Adjusted net income attributable to stockholders (non-GAAP measure) increased \$13.8 million, or 28%, to \$62.9 million in the first half of 2018 from \$49.1 million in the first half of 2017.

Similarly, net income increased \$34.8 million, or 124% to \$62.9 million in the first half of 2018 from \$28.1 million in the first half of 2017. Adjusted EBITDA (non-GAAP measure) increased \$30.3 million, or 30%, to \$131.0 million in the first half of 2018 from \$100.7 million in the first half of 2017.

Net income margin increased 490 bps to 11.1% in the first half of 2018 from 6.2% in the first half of 2017. Agency proceeds adjusted EBITDA rate (non-GAAP measure) increased 20 bps to 34.8% in the first half of 2018 compared to 34.6% in the first half of 2017.

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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.

***Twelve months ended June 30, 2018 compared with twelve months ended June 30, 2017***

Debt at June 30, 2018, represented 6.9 times net income as at and for the 12 months ended June 30, 2018. This compares to debt at June 30, 2017, which represented 16.2 times net income as at and for the 12 months ended June 30, 2017. The decrease in this debt/net income multiplier was primarily due to lower debt balances at June 30, 2018 versus June 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 EBITDA<sup>12</sup> (non-GAAP measure) was 2.5 times as at and for the 12 months ended June 30, 2018 compared to 2.9 times as at and for the 12 months ended June 30, 2017.

**Diluted EPS**

***Three months ended June 30, 2018 compared with three months ended June 30, 2017***

Diluted EPS attributable to stockholders increased 163% to \$0.42 per share in the second quarter of 2018 from \$0.16 per share in the second quarter of 2017. This increase is primarily due to the increase in net income attributable to stockholders. Diluted adjusted EPS attributable to stockholders (non-GAAP measure) increased 27% to \$0.42 in the second quarter of 2018 from \$0.33 in the second quarter of 2017.

***Six months ended June 30, 2018 compared with six months ended June 30, 2017***

Diluted EPS attributable to stockholders increased 123% to \$0.58 per share in the first half of 2018 from \$0.26 per share in the first half of 2017. This increase is primarily due to the increase in net income attributable stockholders. Diluted adjusted EPS attributable to stockholders (non-GAAP measure) increased 29% to \$0.58 in the first half of 2018 from \$0.45 in the first half of 2017.

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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. 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 June 30,			Six months ended June 30,		
			% Change			% Change
	2018	2017	2018 over 2017	2018	2017	2018 over 2017
Service revenues	\$ 180,067	\$ 146,509	23%	\$ 328,472	\$ 249,539	32%
Revenue from inventory sales	94,184	79,864	18%	178,346	155,912	14%
Total revenues	274,251	226,373	21%	506,818	405,451	25%
Costs of services	21,381	20,978	2%	42,829	33,565	28%
Cost of inventory sold	81,702	71,726	14%	157,493	135,127	17%
SG&A expenses	95,959	70,977	35%	188,961	138,088	37%
Impairment loss	-	8,911	(100%)	-	8,911	(100%)
A&M profit	\$ 75,209	\$ 53,781	40%	\$ 117,535	\$ 89,760	31%

### Gross Transaction Value

We believe that revenues are best understood by considering their relationship with GTV. We present below GTV by channel for the three and six months ended June 30, 2018 period.

#### Three months ended June 30, 2018 compared with three months ended June 30, 2017

(in U.S. \$000's)	Three months ended June 30,				
	2018		2017		% Change
	GTV	% of total	GTV	% of total	2018 over 2017
Live on site auctions	\$ 1,201,472	84%	\$ 1,135,772	91%	6%
Online marketplaces including featured <sup>(1)</sup> and other <sup>(2)</sup>	224,940	16%	118,546	9%	90%
GTV	\$ 1,426,412	100%	\$ 1,254,318	100%	14%

(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

Overall, GTV increased \$172.1 million, or 14%, primarily due to the Acquisition and, improved live on site and online auction performance driven by, strong price performance and a higher-value equipment mix. The increase in GTV was partially offset by continuing equipment supply constraints, as well as the reduction in the number of live industrial on site auctions and sale days over the comparative period. GTV from online marketplaces almost doubled compared to second quarter of 2017. This is partially due to the Acquisition as there was only one month of post-Acquisition activity in the second quarter of 2017 compared to three months in the second quarter of 2018, as well as due to our strategic focus to leverage our multi-channel approach.

The total number of industrial and agricultural lots sold at our live on site auctions decreased 4% to 121,300 lots in the second quarter of 2018 compared to 125,800 lots in second quarter of 2017. The decrease was primarily due to a reduction in number of live on site auctions from 157 in the second quarter of 2017 to 152 in the second quarter of 2018, as well as fewer sales days over the same comparative period. The fewer number of live on site auctions and sale days resulted from deliberate auction calendar optimization efforts, which impact timing of certain events on a comparable basis but had driven overall higher comparable live on site auction performance overall.

GTV generated at our live on site auctions increased 9% on a per-lot basis to \$9,700 in the second quarter of 2018 compared to \$8,900 in the second quarter of 2017. This increase was primarily due to a change in the mix of equipment at our auctions toward higher value items such as hydraulic excavators, crawler tractors, and articulated dump trucks.

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 increased to 19% of our GTV in the second quarter of 2018 from 17% in the second quarter of 2017.

**Six months ended June 30, 2018 compared with six months ended June 30, 2017**

(in U.S. \$000's)	Six months ended June 30,					% Change 2018 over 2017
	2018		2017			
	GTV	% of total	GTV	% of total		
Live on site auctions	\$ 2,175,498	84%	\$ 1,996,577	93%		9%
Online marketplaces including featured <sup>(1)</sup> and other <sup>(2)</sup>	411,626	16%	157,151	7%		162%
<b>GTV</b>	<b>\$ 2,587,124</b>	<b>100%</b>	<b>\$ 2,153,728</b>	<b>100%</b>		<b>20%</b>

(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

Overall, GTV increased \$433.4 million, or 20%, primarily due to the Acquisition and, improved live on site and online auction performance driven by, strong price performance and a higher-value equipment mix. We significantly increased our GTV generated from our online marketplaces by 162% due to the Acquisition and our new compensation strategies implemented to focus on the expansion of online marketplaces. The increase was partially offset by a decrease in the number of live on site auctions and sale days over the comparative period, as well as the ongoing equipment supply constraints.

The total number of industrial and agricultural lots sold at our live on site auctions decreased 5% to 204,600 lots in the first half of 2018 compared to 214,900 lots in first half of 2017 for the same reasons discussed above.

GTV generated at our live on site auctions increased 13% on a per-lot basis to \$10,400 in the first half of 2018 compared to \$9,200 in the first half of 2017. This increase was primarily due to a change in the mix of equipment at our auctions, as described above.

The volume of underwritten commission contracts remained constant at 16% of our GTV in the first half 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 June 30,			Six months ended June 30,		
	2018	2017	% Change	2018	2017	% Change
			2018 over 2017			2018 over 2017
United States	\$ 130,150	\$ 97,517	33%	\$ 252,856	\$ 199,516	27%
Canada	72,137	70,429	2%	131,024	107,319	22%
International	71,964	58,427	23%	122,938	98,616	25%
A&M total revenues	\$ 274,251	\$ 226,373	21%	\$ 506,818	\$ 405,451	25%

### ***Three months ended June 30, 2018 compared with three months ended June 30, 2017***

The increase in A&M total revenues of \$47.9 million, or 21%, was primarily due to the Acquisition, an increase in equipment pricing, the partial harmonization of our transaction fees, as well as the following regional differences:

- United States: +33% increase that, in addition to the factors noted above, was also due to growth in revenue from inventory sales and service revenues from live on site auctions. In particular, strategic accounts performed well in the second quarter of 2018. In addition, total revenues increased despite fewer live on site auction sales days.
- Canada: +2% increase that, in addition to the factors noted above, was offset by an auction calendar change to move the Grand Prairie auction to July in 2018 as compared to June of 2017. The increase in Canada was further offset by a decrease in revenue from inventory sales.
- International: +23% increase that, in addition to the factors noted above, was also due to an increase in revenue from inventory sales primarily in Europe and Australia. The increase in the International region was partially offset by a decrease in service revenues from live on site auctions, which were negatively impacted by auction calendar change.

### ***Six months ended June 30, 2018 compared with six months ended June 30, 2017***

The increase in A&M total revenues of \$101.4 million, or 25%, was primarily due to the Acquisition, an increase in equipment pricing, the partial harmonization of our transaction fees, as well as the following regional differences:

- United States: +27% increase that was partially offset by a decrease in revenue from inventory sales. The increase in the United States occurred despite there being less live on site auction sales days.
- Canada: +22% increase that, in addition to the factors noted above, was also due to an increase in revenue from inventory sales and growth of service revenues from live on site auctions. There were more live on site auction sales days in Canada in the first half of 2018 compared to the first half of 2017.
- International: +25% 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 that 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 June 30, 2018 compared with three months ended June 30, 2017**

A&M revenue rate was 19.2% and 18.0% for the three months ended June 30, 2018 and 2017, respectively. This increase was primarily due to the growth in A&M total revenues outpacing the growth in GTV over the comparative period. Our A&M agency proceeds (non-GAAP measure) were \$192.5 million and \$154.6 million, while A&M agency proceeds rate (non-GAAP measure) was 13.5% and 12.3% for the three months ended June 30, 2018 and 2017.

**Six months ended June 30, 2018 compared with six months ended June 30, 2017**

A&M revenue rate was 19.6% and 18.8% for the six months ended June 30, 2018 and 2017, respectively. Our A&M agency proceeds (non-GAAP measure) were \$349.3 million and \$270.3 million, for the six months ended June 30, 2018 and 2017, respectively, while A&M agency proceeds rate (non-GAAP measure) was 13.5% and 12.6% for the six months ended June 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 June 30,			Six months ended June 30,		
	2018	2017	% Change	2018	2017	% Change
			2018 over 2017			2018 over 2017
Employee compensation	\$ 10,381	8,496	22%	\$ 19,321	13,909	39%
Buildings, facilities and technology	2,484	2,173	14%	4,919	3,556	38%
Travel, advertising and promotion	7,465	7,370	1%	13,970	12,026	16%
Other costs of services	1,051	2,939	(64%)	4,619	4,074	13%
A&M costs of services	\$ 21,381	\$ 20,978	2%	\$ 42,829	\$ 33,565	28%

**Three months ended June 30, 2018 compared with three months ended June 30, 2017**

The increase of \$0.4 million, or 2%, was only a slight increase compared to the second quarter of 2017, primarily due to an increase in employee compensation to support our business growth.

**Six months ended June 30, 2018 compared with six months ended June 30, 2017**

A&M costs of services increased \$9.3 million, or 28%, primarily due to the Acquisition and the costs associated with the inspection activities that support our online marketplaces, which more customers used as our business continued to expand especially in North America. The 28% increase in cost of services, is in line with the 32% increase in A&M service revenues during the first half of 2018.

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

A&M cost of inventory sold increased \$10.0 million, or 14% primarily due to higher inventory contracts sales that occurred in the three months-ended June 30, 2018 and the Acquisition.

**Six months ended June 30, 2018 compared with six months ended June 30, 2017**

A&M cost of inventory sold increased \$22.4 million, or 17% primarily due to an increase in the volume of inventory contracts, the shortages of some higher-end used equipment driving up the cost of inventory, as well as the Acquisition.

## **SG&A expenses**

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

(in U.S. \$000's)	Three months ended June 30,			Six months ended June 30,		
	2018	2017	% Change	2018	2017	% Change
			2018 over 2017			2018 over 2017
Employee compensation	\$ 62,867	\$ 45,026	40%	\$ 123,100	\$ 87,175	41%
Buildings, facilities and technology	14,990	12,907	16%	29,749	24,808	20%
Travel, advertising and promotion	8,296	5,945	40%	17,534	12,070	45%
Professional fees	5,023	2,959	70%	8,987	5,821	54%
Other SG&A expenses	4,783	4,140	16%	9,591	8,214	17%
A&M SG&A expenses	\$ 95,959	\$ 70,977	35%	\$ 188,961	\$ 138,088	37%

### ***Three months ended June 30, 2018 compared with three months ended June 30, 2017***

The increase in A&M SG&A expense of \$25.0 million, or 35% was primarily due to the Acquisition, continued investments in talent to support growth of our businesses and initiatives, which included enhanced incentive compensations plans, as well as an increase in professional fees. The Acquisition drove increases in employee compensation, technology support costs, and additional advertising to promote our online marketplace sales. Also, as discussed above, in the comparative period, there was a decrease in share prices that resulted in a positive impact on share unit expenses through the mark-to-market fair value decrease of certain share units. Foreign exchange had a negative impact on A&M SG&A expenses in the second quarter of 2018.

### ***Six months ended June 30, 2018 compared with six months ended June 30, 2017***

A&M SG&A expenses increased \$50.9 million, or 37%. As discussed above, 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, and an increase in professional fees.

## **Impairment loss**

### ***Three months ended June 30, 2018 compared with three months ended June 30, 2017***

No impairment losses were incurred for the three months ended June 30, 2018, compared to the \$8.9 million impairment loss incurred in the A&M segment in the second quarter of 2017, which related to a write-down of certain technology assets after the intended use of these assets changed subsequent to the Acquisition.

### ***Six months ended June 30, 2018 compared with six months ended June 30, 2017***

No impairment losses were incurred for the six months ended June 30, 2018 compared to the \$8.9 million impairment loss on technology assets in the prior period mentioned above.

## **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 our GTV. Revenue Producers is a term used to describe our revenue-producing sales personnel. This definition is comprised of Regional Sales Managers and Territorial Managers.

Historically, we measured Sales Force Productivity as trailing 12-months GTV divided by the number of Revenue Producers at the reporting date. As a result of the timing and impact of the Acquisition on both GTV and the number of Revenue Producers, we updated our Sales Force Productivity measure calculations as at and for the 12-month periods ended June 30, 2018 and June 30, 2017.

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

- GTV for the 11 months, pre-Acquisition, ended May 31, 2017, divided by the average number of Revenue Producers over the same 11-month period; and
- GTV for the month following the Acquisition (June 2017) divided by the average number of Revenue Producers over that month.

Under the revised calculation, our Sales Force Productivity as at and for the trailing 12-month period ended June 30, 2018 was \$11.1 million per Revenue Producer compared to \$11.7 million per Revenue Producer for the trailing 12-month period ended June 30, 2017. The decrease of \$0.6 million per Revenue Producer over the comparative period is due to a combination of factors, including:

- The acquisition of IronPlanet Revenue Producers that had a lower Sales Force Productivity than Ritchie Bros. sales personnel, pre-Acquisition. IronPlanet’s Sales Force Productivity was \$7.6 million per Revenue Producer for the trailing 12-month period ended May 31, 2017.
- The continued constrained supply of used equipment and a decrease in the number of lots sold at our auctions.

Partially offsetting the decrease in Sales Force Productivity over the comparative period is an increase in average price per lot, as well as strong price performance in construction assets in the United States and vocational trucks in Canada. Despite the decline in Sales Force Productivity calculated on a trailing 12-month basis, when monthly post-Acquisition productivity is compared between June 2018 and June 2017, we are seeing a modest positive improvement in productivity. We are encouraged by this improvement and believe it is evidence that our sales teams are experiencing less impact having passed the most complex stages of our integration.

### **Industrial live on site auction metrics**

Our key industrial live on site auction metrics<sup>13</sup> are shown below:

	Three months ended June 30,			Six months ended June 30,		
	2018	2017	% Change	2018	2017	% Change
			2018 over 2017			2018 over 2017
Bidder registrations	141,500	163,500	(13%)	260,500	278,000	(6%)
Consignment	14,700	16,700	(12%)	25,450	28,050	(9%)
Buyers	36,350	40,400	(10%)	65,350	69,550	(6%)
Lots	103,500	108,000	(4%)	184,500	192,000	(4%)

<sup>13</sup> For a breakdown of these key industrial auction metrics by month, please refer to our website at [www.rbauction.com](http://www.rbauction.com). None of the information in our website is incorporated by reference into this document by this or any other reference.

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

	12 months ended June 30,		Change	
	2018	2017	2018 over 2017	
GTV	\$ 17.3 million	\$ 15.8 million	\$ 1.5 million	
Bidder registrations	2,491	2,345	6%	
Consignors	242	235	3%	
Lots	1,674	1,648	2%	

**Three months ended June 30, 2018 compared with three months ended June 30, 2017**

During the second quarter of 2018, we conducted 50 unreserved industrial live on site auctions at locations in North America, Europe, the Middle East, Australia, and Asia, compared to 70 during the second quarter of 2017.

All key industrial live on site auction metrics decreased in the second quarter of 2018 compared to the second quarter of 2017. The decreases were also mainly a result of fewer auctions and sale days in the second quarter of June 2018 compared to the same period in 2017.

**Six months ended June 30, 2018 compared with six months ended June 30, 2017**

For the first half of 2018, we conducted 85 unreserved industrial live on site auctions at locations in North America, Europe, the Middle East, Australia, and Asia, compared to 111 during the first half of 2017.

There also were decreases in all key industrial live on site auction metrics in the first half of 2018 compared to the first half of 2017. The decreases were also mainly a result of fewer auctions and sale days throughout the six months ended June 30, 2018 compared to the similar period in 2017.

**Twelve months trailing for June 30, 2018 compared with twelve months trailing for June 30, 2017**

We saw an increase in the average GTV per industrial auction for the 12 months ended June 30, 2018 compared to the 12 months ended June 30, 2017. We believe the increase was primarily driven by increased demand for higher priced used equipment and our site optimization strategy, which was partially offset by a constrained supply of used equipment that continued in the first half of 2018, and lower sales productivity in the first few months after the Acquisition.

**Online bidding**

**Three months ended June 30, 2018 compared with three months ended June 30, 2017**

Internet bidders comprised 72% of the total bidder registrations at our live on site auctions in the second quarter of 2018 compared to 70% in the second quarter 2017. Across all channels, 57% of total GTV was purchased by online bidders in the second quarter of 2018 compared to 60% in the second quarter of 2017.

**Six months ended June 30, 2018 compared with six months ended June 30, 2017**

Internet bidders comprised 71% of the total bidder registrations at our live on site auctions in the first half of 2018 compared to 67% in the first half of 2017. Across all channels, 57% of total GTV was purchased by online bidders in the first half of 2018 compared to 55% in the first half of 2017. This increase in the level of internet bidders shows that we continued to promote multi-channel participation at our auction through the first six months of 2018.

### **Website metrics<sup>14</sup>**

Our website at [www.rbauction.com](http://www.rbauction.com) provides customers with the ability to bid electronically at our live on site auctions. IronPlanet websites [www.ironplanet.com](http://www.ironplanet.com), [www.govplanet.com](http://www.govplanet.com), and [www.truckplanet.com](http://www.truckplanet.com), provide access to our online marketplaces.

### **Three months ended June 30, 2018 compared with three months ended June 30, 2017**

Traffic across all our websites increased 34% in the second quarter of 2018 compared to the second quarter of 2017 due to the Acquisition. Including the addition of IronPlanet, the number of average monthly users in the second quarter of 2018 increased 15% on a comparative basis.

### **Other services**

(in U.S. \$000's)	Three months ended June 30,			Six months ended June 30,		
	2018	2017	% Change 2018 over 2017	2018	2017	% Change 2018 over 2017
Service revenues	\$ 34,279	\$ 26,240	31%	\$ 61,890	\$ 46,589	33%
Costs of services	21,652	15,314	41%	36,861	27,067	36%
SG&A expenses	5,300	3,400	56%	9,768	6,864	42%
Other services profit	\$ 7,327	\$ 7,526	(3%)	\$ 15,261	\$ 12,658	21%

### **Three months ended June 30, 2018 compared with three months ended June 30, 2017**

Service revenues from other services grew \$8.0 million, or 31%, primarily due to the increase in ancillary and logistical services, RBFS, Mascus and Asset Appraisal Services.

Funded volume, which represents the amount of lending brokered by RBFS, increased 46% from \$88.6 million in the second quarter of 2017 to \$129.0 million in the second quarter of 2018. RBFS operating profit increased \$1.1 million or 36% over the same comparative period to \$4.0 million from \$2.9 million.

### **Six months ended June 30, 2018 compared with six months ended June 30, 2017**

Service revenue from other services grew \$15.3 million, or 33%, primarily due to an increase in ancillary and logistical services revenues, RBFS, Mascus and Asset Appraisal Services.

Funded volume increased 49% from \$150.8 million in the first half of 2017 to \$224.0 million in the first half of 2018. RBFS operating profit increased \$1.8 million or 41% over the same comparative period to \$6.2 million from \$4.4 million.

<sup>14</sup> None of the information in our websites is incorporated by reference into this document by this or any other reference.

## Liquidity and Capital Resources

### Working capital

(in U.S. \$000's)		June 30, 2018	December 31, 2017	% Change
Cash and cash equivalents	\$	210,566	\$ 267,910	(21%)
Current restricted cash	\$	118,714	\$ 63,206	88%
Current assets	\$	623,662	\$ 508,487	23%
Current liabilities		495,306	388,455	28%
Working capital	\$	128,356	\$ 120,032	7%

We believe that working capital is a more meaningful measure of our liquidity than cash alone. Our working capital increased during the six months ended June 30, 2018, primarily due to the increase in operating income.

### Cash flows

(in U.S. \$000's)	6 months ended June 30,			12 months ended June 30,		
			% Change			% Change
	2018	2017	2018 over 2017	2018	2017	2018 over 2017
Cash provided by (used in):						
Operating activities	\$ 107,858	\$ 116,007	(7%)	\$ 139,419	\$ 145,453	(4%)
Investing activities	(21,116)	(686,027)	(97%)	(46,043)	(764,278)	(94%)
Financing activities	(84,465)	169,115	(150%)	(134,317)	621,926	(122%)
Effect of changes in foreign currency rates	(4,113)	10,310	(140%)	2,727	1,721	58%
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ (1,836)	\$ (390,595)	(100%)	\$ (38,214)	\$ 4,822	892%

### 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 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.

### Six months ended June 30, 2018 compared with six months ended June 30, 2017

Cash provided by operating activities in the first half of 2018 of \$107.9 million was comprised of \$62.9 million of net income, a net positive adjustment of \$41.7 million for items not affecting cash, and \$3.2 million of cash generated by changes in operating assets and liabilities. Cash provided by operating activities in the first half of 2017 of \$116.0 million was comprised of \$28.1 million in net income, a net positive adjustment of \$34.2 million for items not affecting cash, and \$53.7 million of cash generated by changes in operating assets and liabilities.

The \$50.4 million decrease in cash generated by changes in operating assets and liabilities over the comparative period was primarily due to the timing and amount of trade receivable collections and auction proceeds payable settlements, which are both dependent on the size, number, and timing of auctions, as well as the increase in the volume of our inventory contracts. This decrease was partially offset by decreased tax installments in the first half of 2018 compared to 2017 due to tax losses from the acquisition of IronPlanet and overpayments of 2017 taxes applied to 2018.

***Twelve months ended June 30, 2018 compared with twelve months ended June 30, 2017***

Cash provided by operating activities for the 12 months ended June 30, 2018 was \$139.4 million comprised of \$110.1 million of net income, a net positive adjustment of \$69.5 million for items not affecting cash, and \$40.2 million of cash used by changes in operating assets and liabilities. Cash provided by operating activities for the 12 months ended June 30, 2017 of \$145.5 million was comprised of \$51.1 million in net income, a net positive adjustment of \$87.6 million for items not affecting cash, and \$6.7 million of cash generated by changes in operating assets and liabilities.

***Investing activities***

Net cash used in investing activities decreased \$664.9 million, or 97% during the first half of 2018 compared to the first half of 2017. This decrease was primarily due to the Acquisition for \$674.1 million, net of cash acquired in the second quarter of 2017.

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 June 30, 2018 increased 60 bps compared to CAPEX intensity for the 12 months of 2017, primarily due to the net capital spending increase of 23% exceeding the total revenues increase of 4% over the comparative period. The net capital spending increase was primarily due to an increase in the capitalization of costs of intangible assets under development. Significant software development projects over the 12-month period ended June 30, 2018 included systems integration following the Acquisition and other acquisitions, as well as enhanced functionality for our online marketplace sales channel.

The following table presents CAPEX intensity and agency proceeds CAPEX rate<sup>15</sup> (non-GAAP measure) results for the trailing 12-month periods ended June 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.

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<sup>15</sup> 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).

(in U.S. \$ millions)	12 months ended June 30,			% Change
		2018	2017	2018 over 2017
Property, plant and equipment additions	\$	12.3	\$ 18.2	(32%)
Intangible asset additions		30.7	21.0	46%
Proceeds on disposition of property plant and equipment		(4.2)	(7.7)	(45%)
Net capital spending	\$	38.8	\$ 31.5	23%
Total revenues		1,087.9	1,047.8	4%
Less: cost of inventory sold		(328.9)	(432.0)	(24%)
Less: ancillary and logistical service expenses		(62.5)	(49.6)	26%
Agency proceeds (non-GAAP measure)	\$	696.5	\$ 566.2	23%
CAPEX intensity		3.6%	3.0%	60 bps
Agency proceeds CAPEX rate (non-GAAP measure)		5.6%	5.6%	0 bps

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”)<sup>16</sup> (non-GAAP measure) of \$13.4 million, or 12%, to \$100.6 million in the 12 months ended June 30, 2018 from \$114.0 million in the 12 months ended June 30, 2017, as this now includes three full quarters post-Acquisition.

### **Financing activities**

Net cash used by financing activities increased \$253.6 million in the first half of 2018 compared to the first half 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 first six months ended June 30, 2018, repayment of long-term debt totalled \$56.6 million, of which \$50.0 million was a voluntary repayment. In addition, there was an increase of \$12.0 million in net proceeds from the issuance of share capital for the first half of 2018 compared to the first half of 2017.

### Dividend information

We declared and paid a regular cash dividend of \$0.17 per common share for each of the four quarters in 2017, and March 31, 2018, and June 30, 2018. Subsequent to June 30, 2018, we declared a quarterly dividend of \$0.18 per common share, payable on September 19, 2018 to stockholders on record on August 29, 2018, which has not been recorded as a liability at June 30, 2018.

Total dividend payments paid to stockholders during the six months ended June 30, 2018 and 2017 were \$36.6 million, and \$36.3 million, respectively. All dividends that we pay are “eligible dividends” for Canadian income tax purposes unless indicated otherwise.

<sup>16</sup> 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 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.

Our dividend payout ratio, which we calculate as dividends paid to stockholders divided by net income attributable to stockholders, decreased to 66.4% for the 12 months ended June 30, 2018 from 143.2% for the 12 months ended June 30, 2017. This decrease is primarily due to the increase in net income attributable to stockholders over the comparative period. Our adjusted dividend payout ratio<sup>17</sup> (non-GAAP measure) increased to 72% for the 12 months ended June 30, 2018 from 70.3% for the 12 months ended June 30, 2017.

#### Return on average invested capital

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 increased 290 bps to 7.2% for the 12-month period ended June 30, 2018 from 4.3% for the 12-month period ended June 30, 2017. This increase is primarily due to a \$362.6 million, or 31%, increase in average invested capital over the comparative period, which was driven by the Acquisition and the associated debt, and partially offset by an increase in net income attributable to stockholders. Return on invested capital ("ROIC")<sup>18</sup> (non-GAAP measure) decreased 220 bps to 6.6% during the 12 months ended June 30, 2018 compared to 8.8% for the 12 months ended June 30, 2017, primarily due to the timing of the funding for the Acquisition.

#### **Debt and credit facilities**

At June 30, 2018, our short-term debt of \$4.1 million consisted of borrowings under our committed revolving credit facilities and had a weighted average annual interest rate of 2.7%. 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 June 30, 2018, we had a total of \$750.4 million long-term debt with a weighted average annual interest rate of 4.9%. 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 three and six months ended June 30, 2018, we made voluntary prepayments totalling \$25.0 million and \$50.0 million, respectively, 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.

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17 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.

18 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.

On June 21, 2018, we reduced the amount available on our committed revolving credit facilities by \$185.0 million. At June 30, 2018, our credit agreement with a syndicate of lenders, and Bank of America, N.A. as 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 June 30, 2018, we had unused committed revolving credit facilities aggregating \$481.7 million of which \$477.6 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 June 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	\$ 4,543	\$ 13,629	\$ 18,173	\$ 228,985	\$ -	\$ 500,000
Interest	18,737	37,187	36,546	34,288	26,875	67,188

#### **Other credit facilities**

As at June 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 was renewed on May 2, 2018 and now expires on October 27, 2021. The remaining \$5.0 million was a demand facility that has no maturity date.

#### **Debt covenants**

We were in compliance with all financial and other covenants applicable to our credit facilities at June 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 <sup>1</sup> (b)	Ancillary and logistical service expenses <sup>2</sup> (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 <sup>2</sup> (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 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.

## 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 six months ended June 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 June 30,			Six months ended June 30,		
	2018	2017	% Change	2018	2017	% Change
			2018 over 2017			2018 over 2017
Operating income	\$ 64,795	\$ 26,888	141%	\$ 97,668	\$ 50,485	93%
Pre-tax adjusting items:						
Accelerated vesting of assumed options	-	4,752	(100%)	-	4,752	(100%)
Acquisition and finance structure advisory	-	9,063	(100%)	-	9,063	(100%)
Severance and retention	-	1,447	(100%)	-	1,447	(100%)
Impairment loss	-	8,911	(100%)	-	8,911	(100%)
Adjusted operating income						
(non-GAAP measure)	64,795	51,061	27%	97,668	74,658	31%
Total revenues	308,530	252,613	22%	568,708	452,040	26%
Less: cost of inventory sold	(81,702)	(71,726)	14%	(157,493)	(135,127)	17%
Less: ancillary and logistical service expenses	(19,980)	(14,701)	36%	(34,560)	(26,228)	32%
Agency proceeds (non-GAAP measure)	\$ 206,848	\$ 166,186	24%	\$ 376,655	\$ 290,685	30%
Operating income margin	21.0%	10.6%	1040 bps	17.2%	11.2%	600 bps
Agency proceeds adjusted operating income rate (non-GAAP measure)	31.3%	30.7%	60 bps	25.9%	25.7%	20 bps

***Three months ended June 30, 2018 compared with three months ended June 30, 2017***

There were no adjusting items for the three months ended June 30, 2018.

The adjusting items for the three months ended June 30, 2017 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 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
- \$8.9 million (\$6.6 million after tax, or \$0.06 per diluted share) impairment loss recognized on various technology assets

***Six months ended June 30, 2018 compared with six months ended June 30, 2017***

There were no adjusting items for the six months ended June 30, 2018.

The adjusting items for the six months ended June 30, 2017 were all recognized in the second quarter of 2017 and are detailed above.

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 six months ended June 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 June 30,			Six months ended June 30,		
	2018	2017	% Change	2018	2017	% Change
			2018 over 2017			2018 over 2017
Net income attributable to stockholders	\$ 45,717	\$ 17,635	159%	\$ 62,855	\$ 28,012	124%
Pre-tax adjusting items:						
Accelerated vesting of assumed options	-	4,752	(100%)	-	4,752	(100%)
Acquisition and finance structure advisory	-	9,063	(100%)	-	9,063	(100%)
Severance and retention	-	1,447	(100%)	-	1,447	(100%)
Impairment loss	-	8,911	(100%)	-	8,911	(100%)
Current income tax effect of adjusting items:						
Acquisition and finance structure advisory	-	(2,447)	(100%)	-	(2,447)	(100%)
Severance and retention	-	(564)	(100%)	-	(564)	(100%)
Impairment loss	-	(2,361)	(100%)	-	(2,361)	(100%)
Current income tax adjusting item:						
Change in uncertain tax provision	-	-	n/a	-	2,290	(100%)
Adjusted net income attributable to stockholders (non-GAAP measure)	\$ 45,717	\$ 36,436	25%	\$ 62,855	\$ 49,103	28%
Effect of dilutive securities	\$ -	\$ (545)	(100%)	\$ -	\$ (176)	(100%)
Weighted average number of dilutive shares outstanding	109,019,708	108,238,660	1%	108,832,776	108,014,228	1%
Diluted earnings per share attributable to stockholders	\$ 0.42	\$ 0.16	163%	0.58	0.26	123%
Diluted adjusted EPS attributable to stockholders (non-GAAP measure)	\$ 0.42	\$ 0.33	27%	0.58	0.45	29%

**Three months ended June 30, 2018 compared with three months ended June 30, 2017**

There were no adjusting items for the three months ended June 30, 2018.

The adjusting items for the three months ended June 30, 2017 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 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
- \$8.9 million (\$6.6 million after tax, or \$0.06 per diluted share) impairment loss recognized on various technology assets

**Six months ended June 30, 2018 compared with six months ended June 30, 2017**

There were no adjusting items for the six months ended June 30, 2018.

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

Recognized in the second quarter of 2017

- As detailed above.

Recognized in the first quarter of 2017

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

The following table presents our adjusted EBITDA (non-GAAP measure) and agency proceeds adjusted EBITDA rate (non-GAAP measure) results for the three and six months ended June 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 June 30,			Six months ended June 30,		
	2018	2017	% Change	2018	2017	% Change
			2018 over 2017			2018 over 2017
Net income	\$ 45,727	\$ 17,713	158%	\$ 62,934	\$ 28,146	124%
Add: depreciation and amortization expenses	16,537	11,872	39%	32,728	22,210	47%
Add: interest expense	10,937	8,620	27%	22,247	16,753	33%
Less: interest income	(837)	(987)	(15%)	(1,229)	(1,942)	(37%)
Add: income tax expense	9,031	4,025	124%	14,300	11,340	26%
Pre-tax adjusting items:						
Accelerated vesting of assumed options	-	4,752	(100%)	-	4,752	(100%)
Acquisition and finance structure advisory	-	9,063	(100%)	-	9,063	(100%)
Severance and retention	-	1,447	(100%)	-	1,447	(100%)
Impairment loss	-	8,911	(100%)	-	8,911	(100%)
Adjusted EBITDA (non-GAAP measure)	81,395	65,416	24%	130,980	100,680	30%
Total revenues	308,530	252,613	22%	568,708	452,040	26%
Less: cost of inventory sold	(81,702)	(71,726)	14%	(157,493)	(135,127)	17%
Less: ancillary and logistical service expenses	(19,980)	(14,701)	36%	(34,560)	(26,228)	32%
Agency proceeds (non-GAAP measure)	\$ 206,848	\$ 166,186	24%	\$ 376,655	\$ 290,685	30%
Net income margin	14.8%	7.0%	780 bps	11.1%	6.2%	490 bps
Agency proceeds adjusted EBITDA rate (non-GAAP measure)	39.4%	39.4%	0 bps	34.8%	34.6%	20 bps

**Three months ended June 30, 2018 compared with three months ended June 30, 2017**

There were no adjusting items for the three months ended June 30, 2018.

The adjusting items for the three months ended June 30, 2017 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 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
- \$8.9 million (\$6.6 million after tax, or \$0.06 per diluted share) impairment loss recognized on various technology assets

**Six months ended June 30, 2018 compared with six months ended June 30, 2017**

There were no adjusting items for the six months ended June 30, 2018.

The adjusting items for the six months ended June 30, 2017 were all recognized in the second quarter of 2017 and are detailed above.

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 June 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 June 30,			% Change 2018 over 2017
	2018	2017		
Short-term debt	\$ 4.1	\$ 14.1		(71%)
Long-term debt	750.4	814.3		(8%)
Debt	754.5	828.4		(9%)
Less: cash and cash equivalents	(210.6)	(254.1)		(17%)
Adjusted net debt (non-GAAP measure)	543.9	574.3		(5%)
Net income	\$ 110.1	\$ 51.1		115%
Add: depreciation and amortization expenses	63.3	42.8		48%
Add: interest expense	43.8	19.9		120%
Less: interest income	(2.5)	(2.8)		(11%)
Add: income tax expense	5.0	25.6		(80%)
Pre-tax adjusting items:				
Accelerated vesting of assumed options	-	4.8		(100%)
Acquisition and finance structure advisory	-	9.1		(100%)
Severance and retention	2.2	1.4		57%
Impairment loss	-	37.2		(100%)
Debt extinguishment costs	-	6.8		(100%)
Adjusted EBITDA (non-GAAP measure)	\$ 221.9	\$ 195.9		13%
Debt/net income	6.9x	16.2x		(57%)
Adjusted net debt/adjusted EBITDA (non-GAAP measure)	2.5x	2.9x		(14%)

**Twelve months trailing for June 30, 2018 compared with twelve months trailing for June 30, 2017**

The adjusting item for the 12 months ended June 30, 2018 was:

- \$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

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 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
- \$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

- \$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 fourth quarter of 2016

- \$28.2 million (\$26.4 million after tax, or \$0.25 per diluted share) impairment loss in the Company's EquipmentOne reporting unit goodwill and customer relationships

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 six months ended June 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 June 30,			Six months ended June 30,		
	2018	2017	% Change	2018	2017	% Change
			2018 over 2017			2018 over 2017
A&M total revenues	\$ 274,251	\$ 226,373	21%	\$ 506,818	\$ 405,451	25%
<i>Less: cost of inventory sold</i>	(81,702)	(71,726)	14%	(157,493)	(135,127)	17%
A&M agency proceeds (non-GAAP measure)	192,549	154,647	25%	349,325	270,324	29%
GTV	\$ 1,426,412	\$ 1,254,318	14%	\$ 2,587,124	\$ 2,153,728	20%
A&M revenue rate	19.2%	18.0%	120 bps	19.6%	18.8%	80 bps
A&M agency proceeds rate (non-GAAP measure)	13.5%	12.3%	120 bps	13.5%	12.6%	90 bps

The following table presents our OFCF (non-GAAP measure) results on a trailing 12-month basis ended June 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 June 30,			
		2018	2017	% Change 2018 over 2017
Cash provided by operating activities	\$	139.4	\$ 145.5	(4%)
Property, plant and equipment additions		12.3	18.2	(32%)
Intangible asset additions		30.7	21.0	46%
Proceeds on disposition of property plant and equipment		(4.2)	(7.7)	(45%)
Net capital spending	\$	38.8	\$ 31.5	23%
OCFC (non-GAAP measure)	\$	100.6	\$ 114.0	(12%)

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 \$145.5 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 June 30, 2018 and June 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 June 30,		% Change
	2018	2017	2018 over 2017
Dividends paid to stockholders	\$ 73.0	\$ 72.6	1%
Net income attributable to stockholders	\$ 109.9	\$ 50.7	117%
Pre-tax adjusting items:			
Accelerated vesting of assumed options	-	4.8	(100%)
Acquisition and finance structure advisory	-	9.1	(100%)
Severance and retention	2.2	1.4	57%
Impairment loss	-	37.2	(100%)
Debt extinguishment costs	-	6.8	(100%)
Current income tax effect of adjusting items:			
Acquisition and finance structure advisory	-	(2.4)	(100%)
Severance and retention	(0.2)	(0.6)	(67%)
Debt extinguishment costs	-	(1.8)	(100%)
Deferred income tax effect of adjusting items:			
Severance and retention	(0.4)	-	100%
Impairment loss	-	(4.2)	(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)	\$ 101.4	\$ 103.3	(2%)
Dividend payout ratio	66.4%	143.2%	-7680 bps
Adjusted dividend payout ratio (non-GAAP measure)	72.0%	70.3%	170 bps

***Twelve months trailing for June 30, 2018 compared with twelve months trailing for June 30, 2017***

The adjusting items for the 12 months ended June 30, 2018 were:

- \$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
- \$10.1 million (or \$0.10 per diluted share) benefit on remeasurement of deferred taxes due to the TCJA

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 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
- \$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 (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

Recognized in the third quarter of 2016

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

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 June 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 June 30,			% Change 2018 over 2017
		2018	2017	
Net income attributable to stockholders	\$	109.9	\$ 50.7	117%
Pre-tax adjusting items:				
Accelerated vesting of assumed options		-	4.8	(100%)
Acquisition and finance structure advisory		-	9.1	(100%)
Severance and retention		2.2	1.4	57%
Impairment loss		-	37.2	(100%)
Debt extinguishment costs		-	6.8	(100%)
Current income tax effect of adjusting items:				
Acquisition and finance structure advisory		-	(2.4)	(100%)
Severance and retention		(0.2)	(0.6)	(67%)
Debt extinguishment costs		-	(1.8)	(100%)
Deferred income tax effect of adjusting items:				
Severance and retention		(0.4)	-	100%
Impairment loss		-	(4.2)	(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)	\$	101.4	\$ 103.3	(2%)
Opening long-term debt	\$	814.3	\$ 102.7	693%
Ending long-term debt		750.4	814.3	(8%)
Average long-term debt	\$	782.4	\$ 458.5	71%
Opening stockholders' equity	\$	711.6	\$ 709.0	0%
Ending stockholders' equity		786.4	711.6	11%
Average stockholders' equity		749.0	710.3	5%
Average invested capital	\$	1,531.4	\$ 1,168.8	31%
Return on average invested capital <sup>(1)</sup>		7.2%	4.3%	290 bps
ROIC (non-GAAP measure) <sup>(2)</sup>		6.6%	8.8%	-220 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).

***Twelve months trailing for June 30, 2018 compared with twelve months trailing for June 30, 2017***

The adjusting items for the 12 months ended June 30, 2018 were:

- \$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
- \$10.1 million (or \$0.10 per diluted share) benefit on remeasurement of deferred taxes due to the TCJA

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 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
- \$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 (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

Recognized in the third quarter of 2016

- \$28.2 million (\$26.4 million after tax, or \$0.25 per diluted share) impairment loss in the Company's EquipmentOne reporting unit goodwill and customer relationships

### **ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes to our market risk during the three months ended June 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.rbaction.com](http://www.rbaction.com), on EDGAR at [www.sec.gov](http://www.sec.gov), or on SEDAR at [www.sedar.com](http://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 June 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 June 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.