

## 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 \$1.2 billion of used equipment and other assets during the first 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.

In the past three years, we have also added a private brokerage service (Ritchie Bros. Private Treaty) and an online listing service (Mascus).

Through our unreserved 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.

### **Revenue Accounting Policy Change**

Effective January 1, 2018, we adopted ASU 2014-09 *Revenue from Contracts with Customers* ("Topic 606"). Revenues on inventory sales and ancillary and logistical services are presented **gross of the related expenses rather than net**.

Accordingly, in addition to total revenues, we have added a new metric to our disclosures called agency proceeds<sup>2</sup> (non-GAAP measure), which presents revenues as previously reported and is calculated as total revenues under Topic 606 less the cost of inventory sold and ancillary and logistical service expenses.

The following table presents total revenues and agency proceeds (non-GAAP measure) results for the first quarter of 2018 and 2017, as well as reconciles those two measures:

(in U.S. \$000's)	Three months ended March 31,	
	2018	2017
Total revenues	\$ 260,178	\$ 199,427
Less: cost of inventory sold	(75,791)	(63,401)
Less: ancillary and logistical service expenses	(14,580)	(11,527)
Agency proceeds (non-GAAP measure)	\$ 169,807	\$ 124,499

<sup>2</sup> Our balance sheet 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.

## Performance Highlights

Net income attributable to stockholders of \$17.1 million improved 65% compared to \$10.4 million for the same quarter in 2017. Diluted earnings per share (“EPS”) attributable to stockholders increased 60% to \$0.16 versus \$0.10 in the first quarter of 2017. Other key first quarter highlights included:

### Consolidated results:

- Total revenues, as presented under the new revenue standard, were \$260.2 million; a 30% increase over the first quarter of 2017
- Total Company agency proceeds (non-GAAP measure) of \$169.8 million increased 36% from \$124.5 million in the first quarter of 2017
- Cash provided by operating activities of \$67.2 million
- Repayment of \$29.2 million of long-term debt in the first quarter of 2018
- Declared a quarterly dividend of \$0.17 per common share

### A&M segment results:

- GTV of \$1.2 billion increased 29% from \$0.9 billion in the first quarter of 2017
- Total revenues of \$232.6 million increased 30% from \$179.1 million in the first quarter of 2017
- A&M agency proceeds<sup>3</sup> (non-GAAP measure) of \$156.8 million increased 36% from \$115.7 million in the first quarter of 2017
- A&M revenue rate<sup>4</sup> improved 10 basis points (“bps”) over the first quarter of 2017; and A&M agency proceeds rate<sup>5</sup> (non-GAAP measure) improved 60 bps over the first quarter of 2017

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3 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 “Segment Performance” below.

4 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.

5 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 “Segment Performance” below.

## Results of Operations

Financial overview	Three months ended March 31,			
			\$ Change	% Change
(in U.S. \$000's, except EPS)	2018	2017	2018 over 2017	2018 over 2017
Service revenues	\$ 176,016	\$ 123,379	\$ 52,637	43%
Revenue from inventory sales	84,162	76,048	8,114	11%
Total revenues	260,178	199,427	60,751	30%
Costs of services	36,657	24,340	12,317	51%
Cost of inventory sold	75,791	63,401	12,390	20%
Selling, general and administrative expenses	97,470	70,575	26,895	38%
Acquisition-related costs	1,633	8,627	(6,994)	(81%)
Depreciation and amortization expenses	16,191	10,338	5,853	57%
Gain on disposal of property, plant and equipment	(345)	(721)	376	(52%)
Foreign exchange gain	(92)	(730)	638	(87%)
Operating income	32,873	23,597	9,276	39%
Operating income margin	12.6%	11.8%	n/a	80 bps
Interest expense	(11,310)	(8,133)	(3,177)	39%
Other income, net	913	2,284	(1,371)	(60%)
Income tax expense	5,269	7,315	(2,046)	(28%)
Net income attributable to stockholders	17,138	10,377	6,761	65%
Diluted earnings per share attributable to stockholders	\$ 0.16	\$ 0.10	\$ 0.06	60%
Effective tax rate	23%	41%	n/a	-1800 bps
GTV	\$ 1,160,712	\$ 899,410	\$ 261,302	29%
Agency proceeds (non-GAAP measure)	169,807	124,499	45,308	36%

## Consolidated Results

### Total revenues

Total revenues are comprised of:

- Service revenues, including the following:
  - Revenue from A&M activities, including commissions earned at our live and online auctions where we act as an agent for consignors of equipment and other assets, and various auction-related fees, including listing and buyer transaction fees; and
  - Other services revenues, including revenues from refurbishment, logistical services, financing, appraisal fees and other ancillary service fees.
- Revenue from inventory sales

Total revenues increased \$60.8 million, or 30%, in the first quarter of 2018 compared to the first quarter of 2017, primarily due to the Acquisition, an increase in the volume of inventory contracts in Canada and Europe, an increase in service revenues from our live on site auctions, and the partial harmonization of our transaction fees. Foreign exchange had a positive impact on total revenues in the first quarter of 2018.

### **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:

(in U.S. \$000's)	United States	Canada	Europe	Other	Consolidated
Total revenues for the three months ended March 31, 2018	\$ 135,563	\$ 65,809	\$ 34,574	\$ 24,232	\$ 260,178
Proportion of consolidated amount	53%	25%	13%	9%	100%
Total revenues for the three months ended March 31, 2017	\$ 112,083	\$ 41,492	\$ 18,267	\$ 27,585	\$ 199,427
Proportion of consolidated amount	56%	21%	9%	14%	100%
Change 2018 over 2017:					
\$ change	\$ 23,480	\$ 24,317	\$ 16,307	\$ (3,353)	\$ 60,751
% change	21%	59%	89%	(12%)	30%

The increase in total revenues in Canada and Europe in the first quarter of 2018 compared to the first quarter of 2017 was primarily due to an increase in revenue from inventory sales over the same comparative period. The increase in total revenues in the United States was primarily due to the Acquisition, partially offset by a decrease in revenue from inventory sales over the comparative period. The decrease in total revenues from other regions was primarily due to a decrease in revenue from inventory sales in the first quarter of 2018 compared to the first quarter of 2017.

### **Costs of services**

Costs of services are comprised of expenses incurred in direct relation to conducting auctions ("direct expenses"), earning online marketplace revenues, and earning other fee revenues. Direct expenses include direct labour, buildings and facilities charges, and travel, advertising and promotion costs.

Costs of services increased \$12.4 million or 51% in the first quarter of 2018 compared to the first quarter of 2017, primarily due to the Acquisition and the costs associated with the inspection and appraisal activities that support our online channels. The increase is also due to an increase in GTV at our live on site auctions over the comparative period and the growth of our ancillary business.

### **Cost of inventory sold**

Cost of inventory sold consists of the initial purchase price of equipment and other assets purchased for resale. Cost of inventory sold increased \$12.4 million, or 20%, in the first quarter of 2018 compared to the first quarter of 2017, primarily due to higher volume of inventory contracts.

### **Selling, general and administrative ("SG&A") expenses**

SG&A expenses increased \$26.9 million, or 38%, during the first quarter of 2018 compared to the first quarter of 2017, primarily due to the Acquisition, investment in talent to support new businesses and initiatives, and \$4.6 million of share unit expenses in the first quarter of 2018 compared to \$0.6 million in the first quarter of 2017. Foreign exchange had a negative impact on SG&A expenses in the first quarter of 2018.

The Acquisition drove increases in our employee compensation, audit fees, tax and legal consulting fees, and technology support costs. Our headcount<sup>6</sup>, including RBFS and Mascus but excluding Xcira, increased 26% over March 31, 2017, primarily due to the Acquisition and continued growth in the teams that support in our value-added services.

Of the \$4.0 million increase in our share unit expenses in the first quarter of 2018 compared to the first quarter of 2017, \$2.4 million related to mark-to-market costs driven by growth in our share price over the comparative period. In addition, the March 1, 2018 modification of certain performance factors related to our share units resulted in an incremental compensation cost of \$1.4 million.

### **Acquisition-related costs**

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

Acquisition-related costs decreased \$7.0 million, or 81%, in the first quarter of 2018 compared to the first quarter of 2017 primarily due to costs associated with the Acquisition, which totaled \$7.7 million in the first quarter of 2017 versus \$0.6 million in the first quarter of 2018.

### **Operating income**

Operating income of \$32.9 million increased \$9.3 million or 39%, in the first quarter of 2018, compared to the first quarter of 2017. This increase was driven by higher total revenues and lower acquisition costs, partially offset by higher costs of services and SG&A expenses. Foreign exchange did not have a significant impact on operating income in the first quarter of 2018. As there were no adjusting items during the first quarter of 2018 or the first quarter of 2017, adjusted operating income<sup>7</sup> (non-GAAP measure) results were the same as operating income results.

Operating income margin, which is our operating income divided by revenues, increased 80 bps to 12.6% in the first quarter of 2018 compared to 11.8% in the first quarter of 2017. This increase is primarily due to the increase in operating income exceeding the increase in total revenues. Agency proceeds adjusted operating income rate<sup>8</sup> (non-GAAP measure) increased to 19.4% in the first quarter of 2018 compared to 19.0% in the first quarter of 2017.

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6 In our Annual Report on Form 10-K for the year ended December 31, 2017, our total headcount excluding Mascus and Xcira employees should have been 2,119 instead of 2,165 as 46 Mascus employees were inadvertently included in the figure reported.

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 from operating income the pre-tax effects of significant non-recurring items that we do not consider to be part of our normal operating results, such as acquisition-related costs, management reorganization costs, severance, retention, gains/losses on sale of certain property, plant and equipment, impairment losses, and certain other items, which we refer to as 'adjusting items'. Adjusted operating income is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under "Non-GAAP Measures" below.

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**

Interest expense of \$11.3 million increased \$3.2 million or 39% in the first quarter of 2018, compared to the first quarter of 2017. This increase is primarily due to the additional indebtedness we incurred in 2016 to finance the Acquisition and an increase in short-term interest over the comparative period. As of March 31, 2018, our long-term debt was \$780.3 million compared to \$596.4 million as of March 31, 2017.

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

For the three months ended March 31, 2018, income tax expense was \$5.3 million, compared to an income tax expense of \$7.3 million for the same period in 2017. Our effective tax rate was 23% in the first quarter of 2018, compared to 41% in the first quarter of 2017. The effective tax rate decreased in the first quarter of 2018 compared to the first quarter of 2017 primarily due to a greater proportion of income taxed in jurisdictions with lower tax rates and partially offset by our estimated Base Erosion Anti-Abuse Tax ("BEAT"). Additionally, in 2017 a \$2.3 million expense relating to an increase in uncertain tax positions was recognized and greater annual non-deductible acquisitions costs were estimated.

On December 22, 2017 H.R. 1, originally known as the Tax Cuts and Jobs Act, (the "Tax Act") was enacted. The Tax Act makes broad and complex changes to the U.S. tax code that impacted our quarter ended March 31, 2018, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35% to 21% effective January 1, 2018 and (2) imposing BEAT - a tax on certain deductible payments from our U.S. subsidiary to any of its foreign-related parties.

On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. For the three months ended March 31, 2018, we have not made any adjustments to the provisional amounts recorded at December 31, 2017. Additional work is still necessary for a more detailed analysis of our deferred tax assets and liabilities, our historical foreign earnings subject to the one-time transition tax, and potential correlative adjustments. Any subsequent adjustment to these amounts will be recorded to tax expense in the corresponding quarter of 2018 when the analysis is complete.

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

### **Net income**

Net income attributable to stockholders increased \$6.8 million, or 65%, in the first quarter of 2018 compared to the first quarter of 2017. This increase was primarily due to stronger operating income and was partially offset by a higher interest expense. Adjusted net income attributable to stockholders<sup>9</sup> (non-GAAP measure) increased \$4.5 million, or 35%, to \$17.1 million in the first quarter of 2018 from \$12.7 million in the first quarter of 2017.

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<sup>9</sup> 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.

Similarly, net income increased \$6.8 million or 65% to \$17.2 million in the first quarter of 2018 from \$10.4 million in the first quarter of 2017. Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”)<sup>10</sup> (non-GAAP measure) increased \$14.3 million, or 41%, to \$49.6 million in the first quarter of 2018 from \$35.3 million in the first quarter of 2017.

Net income margin increased 140 bps to 6.6% in the first quarter of 2018 from 5.2% in the first quarter of 2017. Agency proceeds adjusted EBITDA rate<sup>11</sup> (non-GAAP measure) increased 90 bps to 29.2% in the first quarter of 2018 from 28.3% in the first quarter of 2017, as revenue growth outpaced expense growth.

Debt at March 31, 2018, represented 9.6 times net income as at and for the 12 months ended March 31, 2018. This compares to debt at March 31, 2017, which represented 8.4 times net income as at and for the 12 months ended March 31, 2017. The increase in this debt/net income multiplier was primarily due to higher debt balances in the first quarter of 2018 versus the first quarter of 2017, partially offset by higher net income over the comparative period. The increase in debt was primarily due to 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 March 31, 2018 compared to -0.6 times as at and for the 12 months ended March 31, 2017.

### **Diluted EPS**

Diluted EPS attributable to stockholders increased 60% to \$0.16 in the first quarter of 2018 from \$0.10 in the first quarter of 2017. This increase is primarily due to the increase in net income attributable to stockholders. Diluted adjusted EPS attributable to stockholders<sup>13</sup> (non-GAAP measure) increased 33% to \$0.16 in the first quarter of 2018 from \$0.12 in the first quarter of 2017.

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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.

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 and long-term debt held in escrow from debt. Adjusted net debt/adjusted EBITDA is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under “Non-GAAP Measures” below.

13 Diluted adjusted EPS attributable to stockholders is a non-GAAP financial measure. We believe that comparing diluted adjusted EPS attributable to stockholders for different financial periods provides useful information about the growth or decline of our diluted EPS attributable to stockholders for the relevant financial period, and eliminates the financial impact of adjusting items we do not consider to be part of our normal operating results. Diluted adjusted EPS attributable to stockholders is calculated by dividing adjusted net income attributable to stockholders (non-GAAP measure), 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.

## Segment Performance

### Auctions and Marketplaces segment

(in U.S. \$000's)	Three months ended March 31,						
	2018		2017		\$ Change	% Change	
					2018 over 2017	2018 over 2017	
Service revenues	\$	148,405	\$	103,030	\$	45,375	44%
Revenue from inventory sales		84,162		76,048		8,114	11%
Total revenues		232,567		179,078		53,489	30%
Costs of services		21,448		12,587		8,861	70%
Cost of inventory sold		75,791		63,401		12,390	20%
SG&A expenses		93,002		67,111		25,891	39%
A&M profit	\$	42,326	\$	35,979	\$	6,347	18%

### Gross Transaction Value

We believe that revenues are best understood by considering their relationship with GTV. The following table presents GTV by channel:

(in U.S. \$000's)	Three months ended March 31,								
	2018		2017		\$ Change	% Change			
	Total GTV	% of total	Total GTV	% of total	2018 over 2017	2018 over 2017			
Live on site auctions	\$	974,026	84%	\$	860,806	96%	\$	113,220	13%
Online marketplaces including featured <sup>(1)</sup> and other <sup>(2)</sup>		186,686	16%		38,604	4%		148,082	384%
GTV	\$	1,160,712	100%	\$	899,410	100%	\$	261,302	29%

(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 \$261.3 million, or 29%, in the first quarter of 2018 compared to the first quarter of 2017. This increase was primarily due to the Acquisition, the mix of equipment that came to market during the first quarter of 2018, and the strength of our Orlando auction in the first quarter of 2018 compared to first quarter of 2017. The increase was partially offset by the continuing equipment supply constraints, as well as the reduction in the number of live on site auctions and sale days over the comparative period.

The total number of industrial and agricultural lots sold at our live on site auctions decreased 7% to 83,300 lots in the first quarter of 2018 compared to 89,100 lots in first quarter of 2017. The decrease was primarily due to a reduction in number of industrial and agricultural live on site auctions from 61 in the first quarter of 2017 to 52 in the first quarter of 2018, as well as three fewer sales days over the same comparative period.

GTV generated at our live on site auctions increased 19% on a per-lot basis to \$11,500 in the first quarter of 2018 compared to \$9,700 in the first quarter of 2017. This increase was primarily due to a change in the mix of equipment at our auctions.

We saw strong price performance in construction assets in Canada, Europe, and Asia, as well as in vocational trucks in Canada. The effects of this price strengthening were partially offset by a softening of supply of various other types of equipment, including agricultural equipment in Canada and trailers and transport trucks in the United States.

We offer our customers the opportunity to use underwritten commission contracts to serve their disposition strategy needs, entering into such contracts where the risk/reward profile of the terms are agreeable. The volume of underwritten commission contracts decreased to 13% of our GTV in the first quarter of 2018 from 14% in the first quarter of 2017.

#### Seasonality

Our operations are both seasonal and event-driven. Total revenues and GTV generated by our A&M segment 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.

#### **Total revenues**

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

(in U.S. \$000's)	Three months ended March 31,			
			\$ Change	% Change
	2018	2017	2018 over 2017	2018 over 2017
United States	\$ 122,704	\$ 102,002	\$ 20,702	20%
Canada	58,887	36,887	22,000	60%
International	50,976	40,189	10,787	27%
<b>A&amp;M total revenues</b>	<b>\$ 232,567</b>	<b>\$ 179,078</b>	<b>\$ 53,489</b>	<b>30%</b>

The increase in A&M total revenues in the first quarter of 2018 compared to the first quarter of 2017 was primarily due to the regional differences discussed below, an increase in equipment pricing, and the partial harmonization of our fees:

- United States – 20% increase primarily due to the Acquisition, as well as the increase in GTV that was driven by an increase in our service revenues from the Orlando auction in the first quarter of 2018. The increase was partially offset by a decrease in the volume of inventory contracts over the same comparative period.
- Canada – 60% increase primarily due to an increase in the volume of our inventory contracts, as well as an increase in GTV that drove an increase in our service revenues from our live on site auctions.
- International – 27% increase primarily due to an increase in the volume of our inventory contracts, as well as an increase in service revenues.

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.

A&M revenue rate was 20.0% and 19.9% for the three months ended March 31, 2018 and 2017, respectively. This marginal increase was primarily due to the growth in A&M total revenues outpacing the growth in GTV over the comparative period. A&M agency proceeds rate (non-GAAP measure) was 13.5% and 12.9% for the three months ended March 31, 2018 and 2017, respectively.

The following tables presents our agency proceeds (non-GAAP measure) and A&M agency proceeds rate (non-GAAP measure) results for the current quarter and each quarter over the last two years, as well as reconciles those metrics to A&M total revenues and A&M revenue rate, which are the most comparable GAAP measures in, or calculated from, our consolidated income statements:

(in U.S. \$000's)	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
A&M total revenues	\$ 232,567	\$ 262,628	\$ 202,718	\$ 226,372	\$ 179,078
Less: cost of inventory sold	(75,791)	(98,895)	(72,476)	(71,726)	(63,401)
A&M agency proceeds (non-GAAP measure)	156,776	163,733	130,242	154,646	115,677
GTV	\$ 1,160,712	\$ 1,294,932	\$ 1,019,322	\$ 1,254,318	\$ 899,410
A&M revenue rate	20.0%	20.3%	19.9%	18.0%	19.9%
A&M agency proceeds rate (non-GAAP measure)	13.5%	12.6%	12.8%	12.3%	12.9%

(in U.S. \$000's)	Q4 2016	Q3 2016	Q2 2016	Q1 2016
A&M total revenues	\$ 273,582	\$ 280,961	\$ 253,436	\$ 237,195
Less: cost of inventory sold	(136,984)	(159,850)	(104,978)	(111,536)
A&M agency proceeds (non-GAAP measure)	136,598	121,111	148,458	125,659
GTV	\$ 1,040,352	\$ 998,859	\$ 1,275,682	\$ 1,019,922
A&M revenue rate	26.3%	28.1%	19.9%	23.3%
A&M agency proceeds rate (non-GAAP measure)	13.1%	12.1%	11.6%	12.3%

### Costs of services

Segment costs of services by nature are presented below:

(in U.S. \$000's)	Three months ended March 31,				
	2018	2017	\$ Change 2018 over 2017	% Change 2018 over 2017	
Employee compensation	\$ 8,941	\$ 5,413	\$ 3,528	65%	
Buildings, facilities and technology	2,435	1,383	1,052	76%	
Travel, advertising and promotion	6,505	4,656	1,849	40%	
Other costs of services	3,567	1,135	2,432	214%	
A&M costs of services	\$ 21,448	\$ 12,587	\$ 8,861	70%	

The increase in A&M costs of services in the first quarter of 2018 compared to the first quarter of 2017 was primarily due to the Acquisition and the costs associated with the inspection activities that support our online channels. The increase is also due to the increase in our live on site auctions GTV over the comparative period.

### Cost of inventory sold

Cost of inventory sold increased \$12.4 million, or 20%, in the first quarter of 2018 compared to the first quarter of 2017, primarily due to higher volume of inventory contracts.

### **SG&A expenses**

Segment SG&A expenses, which include our corporate head office support costs, are presented by nature below:

(in U.S. \$000's)	Three months ended March 31,			
			\$ Change	% Change
	2018	2017	2018 over 2017	2018 over 2017
Employee compensation	\$ 60,233	\$ 42,149	\$ 18,084	43%
Buildings, facilities and technology	14,759	11,901	2,858	24%
Travel, advertising and promotion	9,238	6,125	3,113	51%
Professional fees	3,963	2,862	1,101	38%
Other SG&A expenses	4,809	4,074	735	18%
A&M SG&A expenses	\$ 93,002	\$ 67,111	\$ 25,891	39%

The increase in A&M SG&A expenses in the first quarter of 2018 compared to the first quarter of 2017 was primarily due to the Acquisition, our investment in talent, and higher share unit expenses, as discussed above. Foreign exchange had a negative impact on A&M SG&A expenses in the first quarter of 2018.

### **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<sup>14</sup> 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-month 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 March 31, 2018 and March 31, 2017.

Our updated Sales Force Productivity measure calculation as at and for the 12-month period ended March 31, 2018 is the sum of the following two amounts:

- GTV for the two months, pre-Acquisition, ended May 31, 2017, divided by the average number of Revenue Producers over the same two-month period; and
- GTV for the ten months, post-Acquisition, ended March 31, 2018, divided by the average number of Revenue Producers over the same ten-month period.

Under the revised calculation, our Sales Force Productivity as at and for the trailing 12-month period ended March 31, 2018 was \$11.3 million per Revenue Producer, which was a decrease of \$0.8 million per Revenue Producer compared to the 12-month period ended March 31, 2017. We believe the decrease is due to a combination of factors, including:

- The acquisition of Revenue Producers from IronPlanet that had a lower Sales Force Productivity than Ritchie Bros. sales personnel, pre-Acquisition. IronPlanet's Sales Force Productivity was \$7.6 million per Revenue Producer for the 12-month trailing period ended May 31, 2017.
- The constrained supply of used equipment in 2017. As discussed above, the mix of equipment negatively impacted GTV in the first quarter of 2018.

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<sup>14</sup> In our Annual Report on Form 10-K for the year ended December 31, 2017, the number of Revenue Producers should have been 431 instead of 455 as 24 Mascus sales personnel (seven Regional Sales Managers and 17 Territory Managers) were inadvertently included in the figure reported. Consequently, the Sales Force Productivity reported for the year ended December 31, 2017 should have been \$11.2 million per Revenue Producer instead of \$11.0 million per Revenue Producer.

The effect of the factors noted above in decreasing Sales Force Productivity were partially offset by strong price performance in construction assets in Canada, Europe, and Asia, as well as in vocational trucks in Canada.

**Industrial live on site auction metrics**

During the first quarter of 2018, we conducted 35 unreserved industrial live on site auctions at locations in North America, Europe, the Middle East, Australia, and Asia, compared to 41 during the first quarter of 2017.

Our key industrial live on site auction metrics<sup>15</sup> are shown below:

	Three months ended March 31,		% Change
	2018	2017	2018 over 2017
Bidder registrations	119,000	114,500	4%
Consignments	10,750	11,350	(5%)
Buyers	29,000	29,150	(1%)
Lots	81,000	84,000	(4%)

We saw decreases in all key industrial live on site auction metrics in the first quarter of 2018 compared to the first quarter of 2017, except for the number of bidder registrations. The decreases were primarily due to fewer auctions and sale days resulting from our North American site closures announced in 2017, auction calendar changes that shifted regularly scheduled first quarter auctions into the second quarter of 2018, and the effects of the continuing equipment supply shortage.

The increase in bidder registrations over the comparative period was the result of some new registration initiatives, which included providing certain IronPlanet customers with reciprocity for bidding at our live on site auctions through the creation of online bidding accounts, and providing ‘watchlist’ customers with weekly reminders of when items they are interested in are being sold through one of our channels.

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 March 31,		Change
	2018	2017	2018 over 2017
GTV	\$ 15.9 million	\$ 16.4 million	\$ -0.5 million
Bidder registrations	2,405	2,319	4%
Consignors	233	231	1%
Lots	1,576	1,680	(6%)

<sup>15</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.

We saw a decrease in the average GTV per industrial auction for the 12 months ended March 31, 2018 compared the 12 months ended March 31, 2017. We believe the decrease was primarily driven by constrained supply of used equipment, particularly in 2017, the impact on the mix and age of equipment that came to market, and our lower Sales Force Productivity over the comparative period.

### **Online bidding**

Internet bidders comprised 69% of the total bidder registrations at our live on site auctions in the first three months of 2018 compared to 66% in the first three months of 2017. This increase in the level of internet bidders continues to demonstrate our ability to drive multi-channel participation at our auctions. Across all channels, 56% of total GTV was purchased by online bidders in the first quarter of 2018 compared to 50% in the first quarter of 2017.

### **Website metrics<sup>16</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. Traffic across all our websites increased 37% in the first quarter of 2018 compared to the first quarter of 2017 due to the Acquisition. Including the addition of IronPlanet, the number of average monthly users in the first quarter of 2018 increased 6% on a comparative basis.

### **Other services**

(in U.S. \$000's)	Three months ended March 31,				
			\$ Change		% Change
	2018	2017	2018 over 2017		2018 over 2017
Service revenues	\$ 27,611	\$ 20,349	\$ 7,262		36%
Costs of services	15,209	11,753	3,456		29%
SG&A expenses	4,468	3,464	1,004		29%
Other services profit	\$ 7,934	\$ 5,132	\$ 2,802		55%

Service revenues from other services grew \$7.3 million, or 36%, in the first quarter of 2018 compared to the first quarter of 2017. This increase was primarily due to:

- A \$3.5 million, or 24%, increase in ancillary and logistical services revenue;
- An additional \$1.7 million in Asset Appraisal Services revenue due to the Acquisition;
- A \$1.4 million, or 43%, increase in RBFS revenue to \$4.7 million in the first quarter of 2018 from \$3.3 million in the first quarter of 2017; and
- A \$0.7 million, or 30%, increase in Mascus revenue to \$2.8 million in the first quarter of 2018 from \$2.2 million in the first quarter of 2017.

Funded volume, which represents the amount of lending brokered by RBFS, increased 53% from \$62.2 million in the first quarter of 2017 to \$95.0 million in the first quarter of 2018. RBFS operating profit increased \$0.7 million or 47% over the same comparative period to \$2.2 million from \$1.5 million.

<sup>16</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)	March 31, 2018	December 31, 2017	\$ Change	% Change
Cash and cash equivalents	\$ 278,944	\$ 267,910	\$ 11,034	4%
Current restricted cash	\$ 62,414	\$ 63,206	\$ (792)	(1%)
Current assets	\$ 606,288	\$ 508,487	\$ 97,801	19%
Current liabilities	491,339	388,455	102,884	26%
Working capital	\$ 114,949	\$ 120,032	\$ (5,083)	(4%)

We believe that working capital is a more meaningful measure of our liquidity than cash alone. Our working capital decreased during the three months ended March 31, 2018, primarily due to the payment of dividends of \$18.2 million and voluntary prepayments totalling \$25.0 million on the term loan denominated in United States dollars. This decrease was partially offset by the increase in operating income over the comparative period.

### Cash flows

(in U.S. \$000's)	Three months ended March 31,			
	2018	2017	\$ Change 2018 over 2017	% Change 2018 over 2017
Cash provided by (used in):				
Operating activities	\$ 67,238	\$ 134,542	\$ (67,304)	(50%)
Investing activities	(13,206)	(6,022)	(7,184)	119%
Financing activities	(45,417)	(15,065)	(30,352)	201%
Effect of changes in foreign currency rates	1,627	3,336	(1,709)	(51%)
Net increase in cash, cash equivalents, and restricted cash	\$ 10,242	\$ 116,791	\$ (106,549)	(91%)

### Operating activities

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

Cash provided by operating activities in the first quarter of 2018 of \$67.2 million was comprised of \$17.2 million of net income, \$24.8 million of non-cash expenses, and \$25.3 million of cash generated by changes in operating assets and liabilities. Cash provided by operating activities in the first quarter of 2017 of \$134.5 million was comprised of \$10.4 million in net income, \$12.1 million in non-cash expenses, and \$112.0 million of cash generated by changes in operating assets and liabilities.

Net income in the first quarter of 2018 increased compared to the first quarter of 2017 due to stronger operating income, partially offset by a higher interest expense. Non-cash expenses increased over the comparative period primarily due to higher amortization expenses driven by the increase in intangible assets as a result of the Acquisition.

The decrease in cash generated by changes in operating assets and liabilities over the comparative period was primarily due to more auction proceeds payable being settled in the United States in the first quarter of 2018 compared to the first quarter of 2017. This change was driven by increases in GTV, the number of auctions, and the number of sale days leading up to the first quarter of 2018 compared to the first quarter of 2017.

### **Investing activities**

Net cash used in investing activities increased \$7.2 million during the first quarter of 2018 compared to the first quarter of 2017. This increase is primarily due to our acquisition of Leake Auction Company, an Oklahoma-based collector car auctioneer, which was announced on January 16, 2018.

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

CAPEX intensity for the 12 months ended March 31, 2018 increased 80 bps compared to CAPEX intensity for the 12 months of 2017, primarily due to the net capital spending increase of 22% exceeding the total revenues decrease 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 March 31, 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>17</sup> (non-GAAP measure) results for the trailing 12-month periods ended March 31, 2018 and 2017, as well as reconciled those metrics to property, plant and equipment additions, intangible asset additions, proceeds on disposition of property, plant and equipment, and total revenues, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements.

(in U.S. \$ millions)	12 months ended March 31,		Change 2018 over 2017
	2018	2017	
Property, plant and equipment additions	\$ 11.5	\$ 18.3	(37%)
Intangible asset additions	30.0	19.5	54%
Proceeds on disposition of property plant and equipment	(4.5)	(7.4)	(39%)
Net capital spending	\$ 37.0	\$ 30.4	22%
Total revenues	1,031.9	1,070.9	(4%)
Less: cost of inventory sold	(318.9)	(465.2)	(31%)
Less: ancillary and logistical service expenses	(57.2)	(46.7)	22%
Agency proceeds (non-GAAP measure)	\$ 655.8	\$ 559.0	17%
CAPEX intensity	3.6%	2.8%	80 bps
Agency proceeds CAPEX rate (non-GAAP measure)	5.6%	5.4%	20 bps

<sup>17</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).

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>18</sup> (non-GAAP measure) of \$74.0 million, or 64%, to \$42.0 million in the 12 months ended March 31, 2018 from \$116.0 million in the 12 months ended March 31, 2017, as this now includes three full quarters post-Acquisition.

### ***Financing activities***

Net cash used by financing activities increased \$30.4 million in the first three months of 2018 compared to the first three months of 2017. This increase was primarily due to voluntary prepayments totalling \$25.0 million on the term loan, as well as higher scheduled long-term debt payments.

### Dividend information

We declared and paid a regular cash dividend of \$0.17 per common share for the quarters ended March 31, 2017, June 30, 2017, September 30, 2017, and December 31, 2017. We have declared, but not yet paid, a dividend of \$0.17 per common share for the quarter ended March 31, 2018.

Total dividend payments during the three months ended March 31, 2018 and 2017 were \$18.2 million to stockholders. All dividends that we pay are “eligible dividends” for Canadian income tax purposes unless indicated otherwise.

Our dividend payout ratio, which we calculate as dividends paid to stockholders divided by net income attributable to stockholders, decreased to 89.0% for the 12 months ended March 31, 2018 from 98.2% for the 12 months ended March 31, 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>19</sup> (non-GAAP measure) increased to 79.0% for the 12 months ended March 31, 2018 from 67.1% for the 12 months ended March 31, 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 decreased 120 bps to 5.8% for the 12-month period ending March 31, 2018 from 7.0% for the 12-month period ending March 31, 2017. This decrease is primarily due to a \$376.9 million, or 36%, 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.

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18 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.

19 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.

Return on invested capital (“ROIC”) excluding escrowed debt<sup>20</sup> (non-GAAP measure) decreased 710 bps to 6.5% during the 12 months ended March 31, 2018 compared to 13.6% for the 12 months period ending March 31, 2017.

### Debt and credit facilities

At March 31, 2018, our short-term debt of \$5.9 million consisted of borrowings under our committed revolving credit facilities and had a weighted average annual interest rate of 2.9%. 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 March 31, 2018, we had a total of \$780.3 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%.

Our five-year credit agreement with a syndicate of lenders (the “Credit Agreement”) allows prepayment of term loans in whole or in part at par. The Credit Agreement provided us with a term loan facility of up to \$325.0 million (the “Term Loan Facility”). During the first quarter of 2018, we made voluntary prepayments of the term loan denominated in United States dollars totalling \$25.0 million. These prepayments were applied to our next scheduled 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.

As at March 31, 2018, we had available \$646.8 million under our committed revolving credit facilities, pursuant to the Credit Agreement, which 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 March 31, 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	\$ 6,948	\$ 13,896	\$ 25,032	\$ 250,150	\$ -	\$ 500,000
Interest	22,608	38,745	38,024	35,107	26,875	67,188

### Other credit facilities

As at March 31, 2018, we also had \$10.0 million in credit facilities in certain foreign jurisdictions. Of these, \$5.0 million were in 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. As at March 31, 2018, we had available \$8.8 million pursuant to these facilities.

<sup>20</sup> ROIC excluding escrowed debt 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 by removing the impact of the issue of our senior secured notes (“Notes”), which were held in escrow at March 31, 2017. While the Notes were in escrow and not accessible by us, they were not contributing to the generation of net income. We believe that by adjusting debt to remove funds we do not have access to, we are providing more accurate information about the after-tax return generated by our investments. We calculate ROIC excluding escrowed debt as adjusted net income attributable to stockholders (non-GAAP measure) divided by adjusted average invested capital (non-GAAP measure). We calculate adjusted average invested capital (non-GAAP measure) as the adjusted average long-term debt (non-GAAP measure) and average stockholders’ equity over a trailing 12-month period. We calculate adjusted average long-term debt (non-GAAP measure) as the average of adjusted opening long-term debt (non-GAAP measure) and adjusted ending long-term debt (non-GAAP measure). Adjusted opening long-term debt (non-GAAP measure) and adjusted ending long-term debt (non-GAAP measure) are calculated as opening or ending long-term debt, as applicable, as reported in our consolidated financial statements reduced by long-term debt held in escrow. ROIC excluding escrowed debt is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under “Non-GAAP Measures” below.

### Debt covenants

We were in compliance with all financial and other covenants applicable to our credit facilities at March 31, 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.

The following table presents our first quarter 2018 results and illustrates the impact on our historical reported results of retrospectively adopting Topic 606:

(in U.S. \$000's)	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Service revenues	\$ 176,016	\$ 182,351	\$ 145,938	\$ 172,749	\$ 123,379
Revenue from inventory sales	84,162	109,399	81,463	79,864	76,048
Total revenues	260,178	291,750	227,401	252,613	199,427
Costs of services	36,657	39,096	33,461	36,292	24,340
Cost of inventory sold	75,791	98,895	72,476	71,726	63,401

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 costs of services as previously reported to costs 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. Second and third quarter 2017 amounts were restated in the fourth quarter of 2017 to conform with current presentation of certain government contracts.
- 2) Ancillary and logistical service expenses are now reported within costs of services under the Consolidated Financial Statement note entitled "Operating Expenses".

As noted above, we introduced the new performance metric, agency proceeds (non-GAAP measure), in response to the adoption of Topic 606. The following table presents our agency proceeds (non-GAAP measure) results for the current quarter and each quarter in 2017, as well as reconciles this measure to total revenues, which is the most directly comparable GAAP measure in our consolidated income statements:

(in U.S. \$000's)		Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Total revenues	\$	260,178	\$ 291,750	\$ 227,401	\$ 252,613	\$ 199,427
Less: cost of inventory sold		(75,791)	(98,895)	(72,476)	(71,726)	(63,401)
Less: ancillary and logistical service expenses		(14,580)	(14,070)	(13,878)	(14,701)	(11,527)
Agency proceeds (non-GAAP measure)	\$	169,807	\$ 178,785	\$ 141,047	\$ 166,186	\$ 124,499

## 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 months ended March 31, 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 March 31,			Change
		2018	2017	2018 over 2017
Operating income	\$	32,873	\$ 23,597	39%
Total revenues		260,178	199,427	30%
<i>Less:</i> cost of inventory sold		(75,791)	(63,401)	20%
<i>Less:</i> ancillary and logistical service expenses		(14,580)	(11,527)	26%
Agency proceeds (non-GAAP measure)	\$	169,807	\$ 124,499	36%
Operating income margin		12.6%	11.8%	80 bps
Agency proceeds adjusted operating income rate (non-GAAP measure)		19.4%	19.0%	40 bps

There were no adjusting items for the three months ended March 31, 2018 and 2017.

The following table presents our adjusted net income attributable to stockholders (non-GAAP measure) and diluted adjusted EPS attributable to stockholders (non-GAAP measure) results for the three months ended March 31, 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 March 31,			Change
		2018	2017	2018 over 2017
Net income attributable to stockholders	\$	17,138	\$ 10,377	65%
Current income tax adjusting item:				
Change in uncertain tax provision		-	2,290	(100%)
Adjusted net income attributable to stockholders (non-GAAP measure)	\$	17,138	\$ 12,667	35%
Effect of dilutive securities	\$	-	\$ 27	(100%)
Weighted average number of dilutive shares outstanding		108,643,897	107,788,949	1%
Diluted EPS attributable to stockholders	\$	0.16	\$ 0.10	60%
Diluted adjusted EPS attributable to stockholders (non-GAAP measure)	\$	0.16	\$ 0.12	33%

There were no adjusting items for the three months ended March 31, 2018.

The adjusting item for the three months ended March 31, 2017 was a \$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 months ended March 31, 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 March 31,			Change 2018 over 2017
	2018	2017		
Net income	\$ 17,207	\$ 10,433		65%
<i>Add:</i> depreciation and amortization expenses	16,191	10,338		57%
<i>Add:</i> interest expense	11,310	8,133		39%
<i>Less:</i> interest income	(392)	(955)		(59%)
<i>Add:</i> income tax expense	5,269	7,315		(28%)
Adjusted EBITDA (non-GAAP measure)	49,585	35,264		41%
Total revenues	260,178	199,427		30%
<i>Less:</i> cost of inventory sold	(75,791)	(63,401)		20%
<i>Less:</i> ancillary and logistical service expenses	(14,580)	(11,527)		26%
Agency proceeds (non-GAAP measure)	\$ 169,807	\$ 124,499		36%
Net income margin	6.6%	5.2%		140 bps
Agency proceeds adjusted EBITDA rate (non-GAAP measure)	29.2%	28.3%		90 bps

There were no adjusting items for the three months ended March 31, 2018 and 2017.

The following table presents our adjusted net debt/adjusted EBITDA (non-GAAP measures) results as at and for the 12 months ended March 31, 2018 and 2017, as well as reconciles that metric to debt, cash and cash equivalents, net income, and debt as a multiple of net income, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements.

(in U.S. \$ millions)	As at and for the 12 months ended March 31,				
	2018		2017		Change 2018 over 2017
Short-term debt	\$	5.9	\$	24.6	(76%)
Long-term debt		780.3		596.4	31%
Debt		786.2		621.0	27%
<i>Less:</i> cash and cash equivalents		(278.9)		(236.9)	18%
<i>Less:</i> long-term debt in escrow		-		(495.9)	(100%)
Adjusted net debt (non-GAAP measure)		507.3		(111.8)	554%
Net income	\$	82.1	\$	74.0	11%
<i>Add:</i> depreciation and amortization expenses		58.6		41.1	43%
<i>Add:</i> interest expense		41.5		12.3	237%
<i>Less:</i> interest income		(2.6)		(2.3)	13%
<i>Add:</i> income tax expense		-		34.7	(100%)
Pre-tax adjusting items:					
Accelerated vesting of assumed options		4.8		-	100%
Acquisition and finance structure advisory		9.1		-	100%
Severance and retention		3.6		-	100%
Impairment loss		8.9		28.2	(68%)
Debt extinguishment costs		-		6.8	(100%)
Adjusted EBITDA (non-GAAP measure)	\$	206.0	\$	194.8	6%
Debt/net income		9.6x		8.4x	14%
Adjusted net debt/adjusted EBITDA (non-GAAP measure)		2.5x		-0.6x	517%

The adjusting items for the 12 months ended March 31, 2018 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
- \$3.6 million (\$2.5 million after tax, or \$0.02 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

The adjusting items for the 12 months ended March 31, 2017 were:

- \$28.2 million (\$26.4 million after tax, or \$0.25 per diluted share) impairment loss on the EquipmentOne reporting unit goodwill and customer relationships
- \$6.8 million (\$5.0 million after tax, or \$0.05 per diluted share) charge related to the early termination of pre-existing debt

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 months ended March 31, 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 March 31,			Change
	2018	2017	2018 over 2017	
A&M total revenues	\$ 232,567	\$ 179,078	30%	
<i>Less: cost of inventory sold</i>	(75,791)	(63,401)	20%	
A&M agency proceeds (non-GAAP measure)	\$ 156,776	\$ 115,677	36%	
GTV	1,160,712	899,410	29%	
A&M revenue rate	20.0%	19.9%	10 bps	
A&M agency proceeds rate (non-GAAP measure)	13.5%	12.9%	60 bps	

The following table presents our OFCF (non-GAAP measure) results on a trailing 12-month basis ended March 31, 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 March 31,			Change
	2018	2017	2018 over 2017	
Cash provided by operating activities	\$ 79.0	\$ 146.4	(46%)	
Property, plant and equipment additions	11.5	18.3	(37%)	
Intangible asset additions	30.0	19.5	54%	
Proceeds on disposition of property plant and equipment	(4.5)	(7.4)	(39%)	
Net capital spending	\$ 37.0	\$ 30.4	22%	
OCF (non-GAAP measure)	\$ 42.0	\$ 116.0	(64%)	

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 March 31, 2018 and March 31, 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 March 31,			Change
		2018	2017	2018 over 2017
Dividends paid to stockholders	\$	72.8	\$ 71.5	2%
Net income attributable to stockholders	\$	81.8	\$ 72.8	12%
Pre-tax adjusting items:				
Accelerated vesting of assumed options		4.8	-	100%
Acquisition and finance structure advisory		9.1	-	100%
Severance and retention		3.6	-	100%
Impairment loss		8.9	28.2	(68%)
Debt extinguishment costs		-	6.8	(100%)
Current income tax effect of adjusting items:				
Acquisition and finance structure advisory		(2.4)	-	100%
Severance and retention		(0.7)	-	100%
Debt extinguishment costs		-	(1.8)	(100%)
Deferred income tax effect of adjusting items:				
Severance and retention		(0.4)	-	100%
Impairment loss		(2.4)	(1.8)	33%
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)	\$	92.1	\$ 106.5	(14%)
Dividend payout ratio		89.0%	98.2%	-920 bps
Adjusted dividend payout ratio (non-GAAP measure)		79.0%	67.1%	1190 bps

The adjusting items for the 12 months ended March 31, 2018 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
- \$3.6 million (\$2.5 million after tax, or \$0.02 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
- \$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 March 31, 2017 were:

- \$28.2 million (\$26.4 million after tax, or \$0.25 per diluted share) impairment loss on the EquipmentOne reporting unit goodwill and customer relationships
- \$6.8 million (\$5.0 million after tax, or \$0.05 per diluted share) charge related to the early termination of pre-existing debt
- \$2.3 million (or \$0.02 per diluted share) charge related to the change in uncertain tax provisions

The table on the following page presents our ROIC excluding escrowed debt (non-GAAP measure) results as at and for the 12-month period ended March 31, 2018 and 2017, and reconciles that metric to net income attributable to stockholders, long-term debt, stockholders' equity, and return on average invested capital, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements:

(in U.S. \$ millions)	As at and for the 12 months ended March 31,				
		2018	2017	Change 2018 over 2017	
Net income attributable to stockholders	\$	81.8	\$	72.8	12%
Pre-tax adjusting items:					
Accelerated vesting of assumed options		4.8		-	100%
Acquisition and finance structure advisory		9.1		-	100%
Severance and retention		3.6		-	100%
Impairment loss		8.9		28.2	(68%)
Debt extinguishment costs		-		6.8	(100%)
Current income tax effect of adjusting items:					
Acquisition and finance structure advisory		(2.4)		-	100%
Severance and retention		(0.7)		-	100%
Debt extinguishment costs		-		(1.8)	(100%)
Deferred income tax effect of adjusting items:					
Severance and retention		(0.4)		-	100%
Impairment loss		(2.4)		(1.8)	33%
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)	\$	92.1	\$	106.5	(14%)
Opening long-term debt	\$	596.4	\$	102.3	483%
Ending long-term debt		780.3		596.4	31%
Less: long-term debt in escrow		-		(495.9)	(100%)
Adjusted ending long-term debt (non-GAAP measure)		780.3		100.5	676%
Average long-term debt	\$	688.4	\$	349.4	97%
Adjusted average long-term debt (non-GAAP measure)		688.4		101.4	579%
Opening stockholders' equity	\$	691.4	\$	676.5	2%
Ending stockholders' equity		752.3		691.4	9%
Average stockholders' equity		721.9		684.0	6%
Average invested capital	\$	1,410.3	\$	1,033.4	36%
Adjusted average invested capital (non-GAAP measure)		1,410.3		785.4	80%
Return on average invested capital <sup>(1)</sup>		5.8%		7.0%	-120 bps
ROIC excluding escrowed debt (non-GAAP measure) <sup>(2)</sup>		6.5%		13.6%	-710 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).

The adjusting items for the 12 months ended March 31, 2018 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
- \$3.6 million (\$2.5 million after tax, or \$0.02 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
- \$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 March 31, 2017 were:

- \$6.8 million (\$5.0 million after tax, or \$0.05 per diluted share) charge related to the early termination of pre-existing debt
- \$28.2 million (\$26.4 million after tax, or \$0.25 per diluted share) impairment loss on EquipmentOne reporting unit goodwill and customer relationships
- \$2.3 million (or \$0.02 per diluted share) charge related to the change in uncertain tax provisions