

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended September 30, 2019

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-13425



**Ritchie Bros. Auctioneers Incorporated**

(Exact Name of Registrant as Specified in its Charter)

**Canada**

**98-0626225**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**9500 Glenlyon Parkway  
Burnaby, British Columbia, Canada**

**V5J 0C6**

(Address of Principal Executive Offices)

(Zip Code)

**(778) 331-5500**

(Registrant's Telephone Number, including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares	RBA	New York Stock Exchange

Indicate by checkmark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer   
Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):  
Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date: 108,240,199 common shares, without par value, outstanding as of November 6, 2019.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**  
**FORM 10-Q**  
**For the quarter ended September 30, 2019**

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**PART I – FINANCIAL INFORMATION**

**ITEM 1: CONSOLIDATED FINANCIAL STATEMENTS**

**Condensed Consolidated Income Statements**

(Expressed in thousands of United States dollars, except share and per share data)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<b>Revenue:</b>				
Service revenue	\$ 178,577	\$ 161,374	\$ 585,555	\$ 551,736
Inventory sales revenue	111,219	83,972	400,892	262,318
Total revenue	289,796	245,346	986,447	814,054
<b>Operating expenses:</b>				
Costs of services	36,382	33,053	122,719	112,743
Cost of inventory sold	102,410	74,341	372,703	231,834
Selling, general and administrative expenses	93,691	88,323	286,589	287,052
Acquisition-related costs	45	2,007	752	5,039
Depreciation and amortization expenses	17,692	16,723	51,919	49,451
Gain on disposition of property, plant and equipment	(821)	(342)	(1,071)	(958)
Foreign exchange loss	237	47	1,118	31
Total operating expenses	249,636	214,152	834,729	685,192
Operating income	40,160	31,194	151,718	128,862
Interest expense	(10,090)	(10,473)	(31,023)	(32,720)
Other income, net	1,962	7,182	5,680	8,995
Income before income taxes	32,032	27,903	126,375	105,137
Income tax expense	6,760	4,791	28,800	19,091
Net income	\$ 25,272	\$ 23,112	\$ 97,575	\$ 86,046
<b>Net income attributable to:</b>				
Stockholders	\$ 25,266	\$ 23,138	\$ 97,466	\$ 85,993
Non-controlling interests	6	(26)	109	53
Net income	\$ 25,272	\$ 23,112	\$ 97,575	\$ 86,046
<b>Earnings per share attributable to stockholders:</b>				
Basic	\$ 0.23	\$ 0.21	\$ 0.90	\$ 0.80
Diluted	\$ 0.23	\$ 0.21	\$ 0.89	\$ 0.79
<b>Weighted average number of shares outstanding:</b>				
Basic	108,003,390	108,365,427	108,453,525	107,811,391
Diluted	109,381,173	109,887,194	109,634,195	109,133,378

See accompanying notes to the condensed consolidated financial statements.

**Condensed Consolidated Statements of Comprehensive Income**

(Expressed in thousands of United States dollars)

(Unaudited)

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Net income	\$ 25,272	\$ 23,112	\$ 97,575	\$ 86,046
Other comprehensive income (loss), net of income tax:				
Foreign currency translation adjustment	(9,703)	3	(8,880)	(7,781)
Total comprehensive income	<u>\$ 15,569</u>	<u>\$ 23,115</u>	<u>\$ 88,695</u>	<u>\$ 78,265</u>
Total comprehensive income attributable to:				
Stockholders	\$ 15,586	\$ 23,145	\$ 88,614	\$ 78,234
Non-controlling interests	(17)	(30)	81	31
	<u>\$ 15,569</u>	<u>\$ 23,115</u>	<u>\$ 88,695</u>	<u>\$ 78,265</u>

See accompanying notes to the condensed consolidated financial statements.

**Condensed Consolidated Balance Sheets**

(Expressed in thousands of United States dollars, except share data)

(Unaudited)

	September 30, 2019	December 31, 2018
<b>Assets</b>		
Cash and cash equivalents	\$ 309,555	\$ 237,744
Restricted cash	141,832	67,823
Trade and other receivables	249,925	129,257
Inventory	53,092	113,294
Other current assets	44,364	49,055
Income taxes receivable	10,488	6,365
Total current assets	<u>809,256</u>	<u>603,538</u>
Property, plant and equipment	476,776	486,599
Other non-current assets	148,375	29,395
Intangible assets	234,249	245,622
Goodwill	671,378	671,594
Deferred tax assets	17,797	15,648
Total assets	<u>\$ 2,357,831</u>	<u>\$ 2,052,396</u>
<b>Liabilities and Equity</b>		
Auction proceeds payable	\$ 453,278	\$ 203,503
Trade and other payables	166,796	201,255
Income taxes payable	16,053	2,312
Short-term debt	5,805	19,896
Current portion of long-term debt	18,027	13,126
Total current liabilities	<u>659,959</u>	<u>440,092</u>
Long-term debt	671,301	698,172
Other non-current liabilities	150,400	41,980
Deferred tax liabilities	32,859	35,519
Total liabilities	<u>1,514,519</u>	<u>1,215,763</u>
<b>Commitments</b>		
<b>Contingencies</b>		
Contingently redeemable performance share units	—	923
<b>Stockholders' equity:</b>		
<b>Share capital:</b>		
Common stock; no par value, unlimited shares authorized, issued and outstanding shares: 108,210,335 (December 31, 2018: 108,682,030)	159,773	181,780
Additional paid-in capital	59,289	56,885
Retained earnings	684,231	648,255
Accumulated other comprehensive loss	(65,129)	(56,277)
Stockholders' equity	<u>838,164</u>	<u>830,643</u>
Non-controlling interest	5,148	5,067
Total stockholders' equity	<u>843,312</u>	<u>835,710</u>
Total liabilities and equity	<u>\$ 2,357,831</u>	<u>\$ 2,052,396</u>

See accompanying notes to the condensed consolidated financial statements.

**Condensed Consolidated Statements of Changes in Equity**  
(Expressed in thousands of United States dollars, except where noted)  
(Unaudited)

	Attributable to stockholders					Non-controlling interest ("NCI")	Total equity	Contingently redeemable performance share units ("PSUs")
	Common stock		Additional paid-In capital ("APIC")	Retained earnings	Accumulated other comprehensive income (loss)			
	Number of shares	Amount						
<b>Three months ended September 30, 2019</b>								
Balance, June 30, 2019	107,836,674	\$ 150,585	\$ 54,633	\$ 680,915	\$ (55,449)	\$ 5,165	\$ 835,849	\$ 1,049
Net income	—	—	—	25,266	—	6	25,272	—
Other comprehensive loss	—	—	—	—	(9,680)	(23)	(9,703)	—
				25,266	(9,680)	(17)	15,569	—
Stock option exercises	363,217	8,451	(135)	—	—	—	8,316	—
Issuance of common stock related to vesting of share units	10,444	737	—	1	—	—	738	(1,083)
Stock option compensation expense	—	—	1,653	—	—	—	1,653	—
Equity-classified PSU expense	—	—	2,830	—	—	—	2,830	21
Equity-classified PSU dividend equivalents	—	—	308	(320)	—	—	(12)	13
Cash dividends paid	—	—	—	(21,631)	—	—	(21,631)	—
Balance, September 30, 2019	108,210,335	\$ 159,773	\$ 59,289	\$ 684,231	\$ (65,129)	\$ 5,148	\$ 843,312	\$ —
<b>Three months ended September 30, 2018</b>								
Balance, June 30, 2018	108,202,351	\$ 166,898	\$ 41,410	\$ 628,341	\$ (50,280)	\$ 5,130	\$ 791,499	\$ 12,965
Net income	—	—	—	23,138	—	(26)	23,112	—
Other comprehensive income (loss)	—	—	—	—	7	(4)	3	—
	—	—	—	23,138	7	(30)	23,115	—
Stock option exercises	381,942	11,721	(2,698)	—	—	—	9,023	—
Issuance of common stock related to vesting of share units	17,124	729	—	(357)	—	—	372	(916)
Stock option compensation expense	—	—	2,228	—	—	—	2,228	—
Modification of PSUs	—	—	11,662	1,092	—	—	12,754	(12,754)
Equity-classified PSU expense	—	—	1,268	—	—	—	1,268	1,450
Equity-classified PSU dividend equivalents	—	—	71	(190)	—	—	(119)	119
Cash dividends paid	—	—	—	(19,528)	—	—	(19,528)	—
Balance, September 30, 2018	108,601,417	\$ 179,348	\$ 53,941	\$ 632,496	\$ (50,273)	\$ 5,100	\$ 820,612	\$ 864

See accompanying notes to the condensed consolidated financial statements.

**Condensed Consolidated Statements of Changes in Equity (continued)**  
(Expressed in thousands of United States dollars, except where noted)  
(Unaudited)

	Attributable to stockholders					Non-controlling interest ("NCI")	Total equity	Contingently redeemable performance share units ("PSUs")
	Common stock		Additional paid-in capital ("APIC")	Retained earnings	Accumulated other comprehensive loss			
	Number of shares	Amount						
<b>Nine months ended September 30, 2019</b>								
Balance, December 31, 2018	108,682,030	\$ 181,780	\$ 56,885	\$ 648,255	\$ (56,277)	\$ 5,067	\$ 835,710	\$ 923
Net income	—	—	—	97,466	—	109	97,575	—
Other comprehensive loss	—	—	—	—	(8,852)	(28)	(8,880)	—
				97,466	(8,852)	81	88,695	—
Stock option exercises	544,576	14,119	(1,679)	—	—	—	12,440	—
Issuance of common stock related to vesting of share units	207,403	5,886	(10,064)	1	—	—	(4,177)	(1,083)
Stock option compensation expense	—	—	4,852	—	—	—	4,852	—
Equity-classified PSU expense	—	—	8,640	—	—	—	8,640	114
Equity-classified PSU dividend equivalents	—	—	655	(700)	—	—	(45)	46
Cash dividends paid	—	—	—	(60,791)	—	—	(60,791)	—
Shares repurchased	(1,223,674)	(42,012)	—	—	—	—	(42,012)	—
Balance, September 30, 2019	<u>108,210,335</u>	<u>\$ 159,773</u>	<u>\$ 59,289</u>	<u>\$ 684,231</u>	<u>\$ (65,129)</u>	<u>\$ 5,148</u>	<u>\$ 843,312</u>	<u>\$ —</u>
<b>Nine months ended September 30, 2018</b>								
Balance, December 31, 2017	107,269,783	\$ 138,582	\$ 41,005	\$ 602,609	\$ (42,514)	\$ 5,069	744,751	\$ 9,014
Net income	—	—	—	85,993	—	53	86,046	—
Other comprehensive loss	—	—	—	—	(7,759)	(22)	(7,781)	—
				85,993	(7,759)	31	78,265	—
Stock option exercises	1,154,541	34,876	(7,804)	—	—	—	27,072	—
Issuance of common stock related to vesting of share units	177,093	5,890	(1,662)	(434)	—	—	3,794	(7,695)
Stock option compensation expense	—	—	6,711	—	—	—	6,711	—
Modification of PSUs	—	—	12,365	958	—	—	13,323	(6,622)
Equity-classified PSU expense	—	—	3,153	—	—	—	3,153	5,826
Equity-classified PSU dividend equivalents	—	—	173	(514)	—	—	(341)	341
Cash dividends paid	—	—	—	(56,116)	—	—	(56,116)	—
Balance, September 30, 2018	<u>108,601,417</u>	<u>\$ 179,348</u>	<u>\$ 53,941</u>	<u>\$ 632,496</u>	<u>\$ (50,273)</u>	<u>\$ 5,100</u>	<u>\$ 820,612</u>	<u>\$ 864</u>

See accompanying notes to the condensed consolidated financial statements.

**Condensed Consolidated Statements of Cash Flows**

(Expressed in thousands of United States dollars)

(Unaudited)

<b>Nine months ended September 30,</b>	<b>2019</b>	<b>2018</b>
Cash provided by (used in):		
Operating activities:		
Net income	\$ 97,575	\$ 86,046
Adjustments for items not affecting cash:		
Depreciation and amortization expenses	51,919	49,451
Stock option compensation expense	4,852	6,711
Equity-classified PSU expense	8,754	8,978
Deferred income tax recovery	(4,760)	(3,774)
Unrealized foreign exchange (gain) loss	(129)	501
Gain on disposition of property, plant and equipment	(1,071)	(958)
Amortization of debt issuance costs	2,701	3,032
Gain on disposition of equity investment	—	(4,935)
Other, net	9,892	(3,678)
Net changes in operating assets and liabilities	139,372	(44,227)
Net cash provided by operating activities	<u>309,105</u>	<u>97,147</u>
Investing activities:		
Property, plant and equipment additions	(6,915)	(13,394)
Intangible asset additions	(18,377)	(19,410)
Proceeds on disposition of property, plant and equipment	5,610	2,524
Proceeds on disposal of equity investment	—	6,147
Other, net	(1,000)	(4,674)
Net cash used in investing activities	<u>(20,682)</u>	<u>(28,807)</u>
Financing activities:		
Share repurchase	(42,012)	—
Dividends paid to stockholders	(60,791)	(56,116)
Issuances of share capital	12,440	27,072
Payment of withholding taxes on issuance of shares	(5,260)	(3,901)
Proceeds from short-term debt	10,519	6,949
Repayment of short-term debt	(24,979)	(3,372)
Repayment of long-term debt	(29,022)	(58,825)
Repayment of finance lease obligations	(4,848)	(2,827)
Other, net	—	(1,176)
Net cash used in financing activities	<u>(143,953)</u>	<u>(92,196)</u>
Effect of changes in foreign currency rates on cash, cash equivalents, and restricted cash	1,350	(3,215)
Increase (decrease)	145,820	(27,071)
Beginning of period	305,567	331,116
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 451,387</u>	<u>\$ 304,045</u>

See accompanying notes to the condensed consolidated financial statements.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

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### 1. Summary of significant accounting policies

Ritchie Bros. Auctioneers Incorporated and its subsidiaries (collectively referred to as the “Company”) provide global asset management and disposition services, offering customers end-to-end solutions for buying and selling used industrial equipment and other durable assets through its unreserved live on site auctions, online marketplaces, listing services, and private brokerage services. Ritchie Bros. Auctioneers Incorporated is a company incorporated in Canada under the Canada Business Corporations Act, whose shares are publicly traded on the Toronto Stock Exchange (“TSX”) and the New York Stock Exchange (“NYSE”).

#### (a) Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with United States generally accepted accounting principles (“US GAAP”). They include the accounts of Ritchie Bros. Auctioneers Incorporated and its subsidiaries from their respective dates of formation or acquisition. All significant intercompany balances and transactions have been eliminated.

Certain information and footnote disclosure required by US GAAP for complete annual financial statements have been omitted and, therefore, these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2018, included in the Company’s Annual Report on Form 10-K, filed with the Securities and Exchange Commission (“SEC”). In the opinion of management, these unaudited condensed consolidated interim financial statements reflect all adjustments, consisting of normal recurring adjustments, which are necessary to present fairly, in all material respects, the Company’s consolidated financial position, results of operations, cash flows and changes in equity for the interim periods presented. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### (b) Revenue recognition

Revenues are comprised of:

- Service revenue, including the following:
  - i. Revenue from auction and marketplace (“A&M”) activities, including commissions earned at our live auctions, online marketplaces, and private brokerage services 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
  - ii. Other services revenue, including revenue from listing services, refurbishment, logistical services, financing, appraisal fees and other ancillary service fees; and
- Inventory sales revenue as part of A&M activities

The Company recognizes revenue when control of the promised goods or services is transferred to our customers, or upon completion of the performance obligation, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. For live event-based auctions or online auctions, revenue is recognized when the auction sale is complete and the Company has determined that the sale proceeds are collectible. Revenue is measured at the fair value of the consideration received or receivable and is shown net of value-added tax and duties.

#### *Service revenue*

Commissions from sales at the Company’s auctions represent the percentage earned by the Company on the gross proceeds from equipment and other assets sold at auction. The majority of the Company’s commissions are earned as a pre-negotiated fixed rate of the gross selling price. Other commissions from sales at the Company’s auctions are earned from underwritten commission contracts, when the Company guarantees a certain level of proceeds to a consignor.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

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### 1. Summary of significant accounting policies (continued)

#### (b) Revenue recognition (continued)

##### *Service revenue (continued)*

The Company accepts equipment and other assets on consignment stimulating buyer interest through professional marketing techniques, and matches sellers (also known as consignors) to buyers through the auction or private sale process. Prior to offering an item for sale on its online marketplaces, the Company also performs inspections.

Following the sale of the item, the Company invoices the buyer for the purchase price of the asset, taxes, and, if applicable, the buyer transaction fee, collects payment from the buyer, and remits the proceeds to the seller, net of the seller commissions, applicable taxes, and applicable fees. Commissions are calculated as a percentage of the hammer price of the property sold at auction. Fees are also charged to sellers for listing and inspecting equipment. Other revenue earned in the process of conducting the Company's auctions include administrative, documentation, and advertising fees.

On the fall of the auctioneer's hammer, the highest bidder becomes legally obligated to pay the full purchase price, which is the hammer price of the property purchased and the seller is legally obligated to relinquish the property in exchange for the hammer price less any seller's commissions. Commission and fee revenue are recognized on the date of the auction sale upon the fall of the auctioneer's hammer.

Under the standard terms and conditions of its auction sales, the Company is not obligated to pay a consignor for property that has not been paid for by the buyer, provided the property has not been released to the buyer. If the buyer defaults on its payment obligation, also referred to as a collapsed sale, the sale is cancelled in the period in which the determination is made, and the property is returned to the consignor or placed in a later event-based or online auction. Historically cancelled sales have not been material.

Online marketplace commission revenue is reduced by a provision for disputes, which is an estimate of disputed items that are expected to be settled at a cost to the Company, related to settlements of discrepancies under the Company's equipment condition certification program. The equipment condition certification refers to a written inspection report provided to potential buyers that reflects the condition of a specific piece of equipment offered for sale, and includes ratings, comments, and photographs of the equipment following inspection by one of the Company's equipment inspectors.

The equipment condition certification provides that a buyer may file a written dispute claim during an eligible dispute period for consideration and resolution at the sole determination of the Company if the purchased equipment is not substantially in the condition represented in the inspection report. Typically disputes under the equipment condition certification program are settled with minor repairs or additional services, such as washing or detailing the item; the estimated costs of such items or services are included in the provision for disputes.

Commission revenue are recorded net of commissions owed to third parties, which are principally the result of situations when the commission is shared with a consignor in an auction guarantee risk and reward sharing arrangement.

Underwritten commission contracts can take the form of guarantee contracts. Guarantee contracts typically include a pre-negotiated percentage of the guaranteed gross proceeds plus a percentage of proceeds in excess of the guaranteed amount. If actual auction proceeds are less than the guaranteed amount, commission is reduced; if proceeds are sufficiently lower, the Company can incur a loss on the sale. Losses, if any, resulting from guarantee contracts are recorded in the period in which the relevant auction is completed. If a loss relating to a guarantee contract held at the period end to be sold after the period end is known or is probable and estimable at the financial statement reporting date, the loss is accrued in the financial statements for that period. The Company's exposure from these guarantee contracts fluctuates over time.

Other services revenue also includes fees for refurbishment, logistical services, financing, appraisal fees and other ancillary service fees. Fees are recognized in the period in which the service is provided to the customer.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

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### 1. Summary of significant accounting policies (continued)

#### (b) Revenue recognition (continued)

##### *Inventory sales revenue*

Underwritten commission contracts can take the form of inventory contracts. Revenue related to inventory contracts is recognized in the period in which the sale is completed, title to the property passes to the purchaser and the Company has fulfilled any other obligations that may be relevant to the transaction. In its role as auctioneer, the Company auctions its inventory to equipment buyers through the auction process. Following the sale of the item, the Company invoices the buyer for the purchase price of the asset, taxes, and, if applicable, the buyer transaction fee, and collects payment from the buyer.

On the fall of the auctioneer's hammer, the highest bidder becomes legally obligated to pay the full purchase price, which is the hammer price of the property purchased. Title to the property is transferred in exchange for the hammer price, and if applicable, the buyer transaction fee plus applicable taxes.

#### (c) Costs of services

Costs of services are comprised of expenses incurred in direct relation to conducting auctions ("direct expenses"), earning online marketplace revenue, and earning other fee revenue. Direct expenses include direct labour, buildings and facilities charges, travel, advertising and promotion costs and fees paid to unrelated third parties who introduce the Company to equipment sellers who sell property at the Company's auctions and marketplaces.

Costs of services incurred to earn online marketplace revenue in addition to the costs listed above also include inspection costs. Inspections are generally performed at the seller's physical location. The cost of inspections includes payroll costs and related benefits for the Company's employees that perform and manage field inspection services, the related inspection report preparation and quality assurance costs, fees paid to contractors who perform field inspections, related travel and incidental costs for the Company's inspection service organization, and office and occupancy costs for its inspection services personnel. Costs of earning online marketplace revenue also include costs for the Company's customer support, online marketplace operations, logistics, title and lien investigation functions.

Costs of services incurred in earning other fee revenue include ancillary and logistical service expenses, direct labour (including commissions on sales), software maintenance fees, and materials. Costs of services exclude depreciation and amortization expenses.

#### (d) Cost of inventory sold

Cost of inventory sold includes the purchase price of assets sold for the Company's own account and is determined using a specific identification basis.

#### (e) Share-based payments

The Company classifies a share-based payment award as an equity or liability payment based on the substantive terms of the award and any related arrangement.

##### *Equity-classified share-based payments*

##### *Share unit plans*

The Company has a senior executive performance share unit ("PSU") plan and an employee PSU plan that provides for the award of PSUs to certain senior executives and employees, respectively, of the Company. The Company has the option to settle certain share unit awards in cash or shares and expects to settle them in shares. The cost of PSUs granted is measured at the fair value of the underlying PSUs at the grant date. PSUs vest based on the passage of time and achievement of performance criteria.

The Company also has a senior executive restricted share unit ("RSU") plan and an employee RSU plan that provides for the award of RSUs to certain senior executives and employees, respectively, of the Company. The Company has the option to settle certain share unit awards in cash or shares and expects to settle all grants on and after 2017 in shares. The cost of RSUs granted is measured at the fair value based on the fair value of the Company's common shares at the grant date. RSUs vest based on the passage of time and include restrictions related to employment.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

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### 1. Summary of significant accounting policies (continued)

#### (e) Share-based payments (continued)

##### *Equity-classified share-based payments (continued)*

##### *Share unit plans (continued)*

This fair value of awards expected to vest under these plans is expensed over the respective remaining service period of the individual awards, on an accelerated recognition basis, with the corresponding increase to APIC recorded in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in earnings, such that the consolidated expense reflects the revised estimate, with a corresponding adjustment to equity. Dividend equivalents on the equity-classified PSUs and RSUs are recognized as a reduction to retained earnings over the service period.

##### *Stock option plans*

The Company has three stock option compensation plans that provide for the award of stock options to selected employees, directors and officers of the Company. The cost of options granted is measured at the fair value of the underlying option at the grant date using the Black-Scholes option pricing model. The fair value of options expected to vest under these plans is expensed over the respective remaining service period of the individual awards, on an accelerated recognition basis, with the corresponding increase to APIC recorded in equity. Upon exercise, any consideration paid on exercise of the stock options and amounts fully amortized in APIC are credited to the common shares.

##### *Liability-classified share-based payments*

The Company maintains other share unit compensation plans that vest over a period of up to three years after grant. Under those plans, the Company is either required or expects to settle vested awards on a cash basis or by providing cash to acquire shares on the open market on the employee's behalf, where the settlement amount is determined based on the average price of the Company's common shares prior to the vesting date or, in the case of deferred share unit ("DSU") recipients, following cessation of service on the Board of Directors.

These awards are classified as liability awards, measured at fair value at the date of grant and re-measured at fair value at each reporting date up to and including the settlement date. The determination of the fair value of the share units under these plans is described in note 16. The fair value of the awards is expensed over the respective vesting period of the individual awards with recognition of a corresponding liability. Changes in fair value after vesting are recognized through compensation expense. Compensation expense reflects estimates of the number of instruments expected to vest.

The impact of forfeitures and fair value revisions, if any, are recognized in earnings such that the cumulative expense reflects the revisions, with a corresponding adjustment to the settlement liability. Liability-classified share unit liabilities due within 12 months of the reporting date are presented in trade and other payables while settlements due beyond 12 months of the reporting date are presented in other non-current liabilities.

#### (f) Leases

The Company determines if an arrangement is a lease at inception. The Company may have lease agreements with lease and non-lease components, which are generally accounted for separately. Additionally, for certain vehicle and equipment leases, management applies a portfolio approach to account for the right-of-use ("ROU") assets and liabilities for assets leased with similar lease terms.

##### *Operating leases*

Operating leases are included in other non-current assets, trade and other payables, and other non-current liabilities in our consolidated balance sheets if the initial lease term is greater than 12 months. For leases with an initial term of 12 months or less the Company recognizes those lease payments on a straight-line basis over the lease term.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

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### 1. Summary of significant accounting policies (continued)

#### (f) Leases (continued)

##### *Operating leases (continued)*

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, management uses the incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Management uses the implicit rate when readily determinable. The Company includes lease payments for renewal or termination options in its determination of lease term, ROU asset, and lease liability when it is reasonably certain that the Company will exercise these options. Lease expense for lease payments is recognized on a straight-line basis over the lease term and are included in Costs of services or Selling, general, and administrative ("SG&A") expenses.

##### *Finance leases*

Finance lease ROU assets are included in property, plant and equipment, trade and other payables, and other non-current liabilities in our consolidated balance sheets.

Finance lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, management uses the incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Management uses the implicit rate when readily determinable. The Company includes lease payments for renewal, purchase options, or termination options in its determination of lease term, ROU asset, and lease liability when it is reasonably certain that the Company will exercise these options. Finance lease ROU assets are generally amortized over the lease term and are included in depreciation expense. The interest on the finance lease liabilities is included in interest expense.

#### (g) Inventories

Inventory consists of equipment and other assets purchased for resale in an upcoming live on site auction or online marketplace event. The Company typically purchases inventory for resale through a competitive process where the consignor or vendor has determined this to be the preferred method of disposition through the auction process. In addition, certain jurisdictions require auctioneers to hold title to assets and facilitate title transfer on sale. Inventory is valued at the lower of cost and net realizable value where net realizable value represents the expected sale price upon disposition less make-ready costs and the costs of disposal and transportation. As part of its government business, the Company purchases inventory for resale as part of its commitment to purchase certain surplus government property (note 18). The significant elements of cost include the acquisition price of the inventory and make-ready costs to prepare the inventory for sale that are not selling expenses and in-bound transportation costs. Write-downs to the carrying value of inventory are recorded in cost of inventory sold on the consolidated income statement.

#### (h) Impairment of long-lived and indefinite-lived assets

Long-lived assets, comprised of property, plant and equipment and intangible assets subject to amortization, are assessed for impairment whenever events or circumstances indicate that their carrying value may not be recoverable. For the purpose of impairment testing, long-lived assets are grouped and tested for recoverability at the lowest level that generates independent cash flows. An impairment loss is recognized when the carrying value of the assets or asset groups is greater than the future projected undiscounted cash flows. The impairment loss is calculated as the excess of the carrying value over the fair value of the asset or asset group. Fair value is based on valuation techniques or third party appraisals. Significant estimates and judgments are applied in determining these cash flows and fair values.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

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### 1. Summary of significant accounting policies (continued)

#### (h) Impairment of long-lived and indefinite-lived assets (continued)

Indefinite-lived intangible assets are tested annually for impairment as of December 31, and between annual tests if indicators of potential impairment exist. The Company has the option of performing a qualitative assessment to first determine whether the quantitative impairment test is necessary. This involves an assessment of qualitative factors to determine the existence of events or circumstances that would indicate whether it is more likely than not that the carrying amount of the indefinite-lived intangible asset is less than its fair value. If the qualitative assessment indicates it is not more likely than not that the carrying amount is less than its fair value, a quantitative impairment test is not required. Where a quantitative impairment test is required, the procedure is to compare the indefinite-lived intangible asset's fair value with its carrying amount. An impairment loss is recognized as the difference between the indefinite-lived intangible asset's carrying amount and its fair value.

#### (i) Goodwill

Goodwill represents the excess of the purchase price of an acquired enterprise over the fair value assigned to the assets acquired and liabilities assumed in a business combination.

Goodwill is not amortized, but it is tested annually for impairment at the reporting unit level as of December 31, and between annual tests if indicators of potential impairment exist. The Company has the option of performing a qualitative assessment of a reporting unit to first determine whether the quantitative impairment test is necessary. This involves an assessment of qualitative factors to determine the existence of events or circumstances that would indicate whether it is more likely than not that the carrying amount of the reporting unit to which goodwill belongs is less than its fair value. If the qualitative assessment indicates it is not more likely than not that the reporting unit's carrying amount is less than its fair value, a quantitative impairment test is not required.

If a quantitative impairment test is required, the procedure is to identify potential impairment by comparing the reporting unit's fair value with its carrying amount, including goodwill. The reporting unit's fair value is determined using various valuation approaches and techniques that involve assumptions based on what the Company believes a hypothetical marketplace participant would use in estimating fair value on the measurement date. An impairment loss is recognized as the difference between the reporting unit's carrying amount and its fair value. If the difference between the reporting unit's carrying amount and fair value is greater than the amount of goodwill allocated to the reporting unit, the impairment loss is restricted by the amount of the goodwill allocated to the reporting unit.

#### (j) New and amended accounting standards

Effective January 1, 2019, the Company adopted ASU 2016-02, *Leases (Topic 842)*. The Company adopted the new standard utilizing the "optional transition method", which permits the Company to apply the new lease standard at the adoption date. As the optional transition method is being utilized, the Company's reporting for the comparative periods presented in the financial statements in which it adopts Topic 842 will continue to be reported pursuant to Topic 840.

On adoption, the Company elected to utilize the package of practical expedients permitted within the new standard, which among other things, allows the Company to carryforward the historical lease classification. In addition, the Company elected to utilize the hindsight practical expedient to determine the reasonably certain lease term for existing leases. While lease classification will remain unchanged, hindsight will result in generally longer accounting lease terms where the Company has determined that it is reasonably certain to exercise certain renewal options and thereby increasing the useful lives of the corresponding leasehold improvements. The Company also elected not to recognize the lease assets and liabilities for leases with an initial term of 12 months or less and will recognize those lease payments on a straight-line basis over the lease term.

On adoption of the new standard the Company recognized ROU assets of \$103,897,000 with a corresponding increase in operating lease liability. Offsetting the increase in ROU assets recognized was the reclassification of prepaid rent and deferred rent liabilities to ROU assets of \$5,752,000. There was no impact on retained earnings or cash flows.

The adoption of the standard had no impact on our debt-covenant compliance under our current agreements.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

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### 1. Summary of significant accounting policies (continued)

#### (k) Recent accounting standards not yet adopted

- (i) In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, which replaces the ‘incurred loss methodology’ credit impairment model with a new forward-looking “methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.” ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is only permitted for fiscal years beginning after December 15, 2018, including interim periods within those years. The Company is evaluating the new guidance to determine the impact it will have on its consolidated financial statements.
- (ii) In April 2019, the FASB issued ASU 2019-04, *Codification Improvement to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. The amendments to Topic 326 in this update clarify or address stakeholders’ specific issues about certain aspects of the amendments in update 2016-13. The Company is evaluating this new guidance to determine the impact that it will have on its consolidated financial statements.

### 2. Significant judgments, estimates and assumptions

The preparation of financial statements in conformity with US GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Future differences arising between actual results and the judgments, estimates and assumptions made by the Company at the reporting date, or future changes to estimates and assumptions, could necessitate adjustments to the underlying reported amounts of assets, liabilities, revenues and expenses in future reporting periods.

Judgments, estimates and underlying assumptions are evaluated on an ongoing basis by management, and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances and such changes are reflected in the assumptions when they occur. Significant items subject to estimates include purchase price allocations, the carrying amounts of goodwill, the useful lives of long-lived assets, share based compensation, the determination of lease term and lease liabilities, deferred income taxes, reserves for tax uncertainties, and other contingencies.

### 3. Seasonality

The Company’s operations are both seasonal and event driven. Revenues tend to be the highest during the second and fourth calendar quarters. The Company generally conducts 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.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

### 4. Segmented information

The Company's principal business activity is the management and disposition of used industrial equipment and other durable assets. The Company's operations are comprised of one reportable segment and other business activities that are not reportable as follows:

- Auctions and Marketplaces – This is the Company's only reportable segment, which consists of the Company's live on site auctions, its online auctions and marketplaces, and its brokerage service;
- Other includes the results of Ritchie Bros. Financial Services ("RBFS"), Mascus online services, and the results from various value-added services and make-ready activities, including the Company's equipment refurbishment services, asset appraisal services, and Ritchie Bros. Logistical Services.

	Three months ended September 30, 2019			Nine months ended September 30, 2019		
	A&M	Other	Consolidated	A&M	Other	Consolidated
Service revenue	\$ 150,093	\$ 28,484	\$ 178,577	\$ 494,580	\$ 90,975	\$ 585,555
Inventory sales revenue	111,219	—	111,219	400,892	—	400,892
Total revenue	\$ 261,312	\$ 28,484	\$ 289,796	\$ 895,472	\$ 90,975	\$ 986,447
Costs of services	21,431	14,951	36,382	74,799	47,920	122,719
Cost of inventory sold	102,410	—	102,410	372,703	—	372,703
SG&A expenses	88,138	5,553	93,691	268,786	17,803	286,589
Segment profit	\$ 49,333	\$ 7,980	\$ 57,313	\$ 179,184	\$ 25,252	\$ 204,436
Acquisition-related costs			45			752
Depreciation and amortization expenses ("D&A")			17,692			51,919
Gain on disposition of property, plant and equipment ("PPE")			(821)			(1,071)
Foreign exchange loss			237			1,118
Operating income			\$ 40,160			\$ 151,718
Interest expense			(10,090)			(31,023)
Other income, net			1,962			5,680
Income tax expense			(6,760)			(28,800)
Net income			\$ 25,272			\$ 97,575

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

### 4. Segmented information (continued)

	Three months ended September 30, 2018			Nine months ended September 30, 2018		
	A&M	Other	Consolidated	A&M	Other	Consolidated
Service revenue	\$ 134,604	\$ 26,770	\$ 161,374	\$ 463,076	\$ 88,660	\$ 551,736
Inventory sales revenue	83,972	—	83,972	262,318	—	262,318
Total revenue	218,576	26,770	245,346	\$ 725,394	\$ 88,660	814,054
Costs of services	20,059	12,994	33,053	62,888	49,855	112,743
Cost of inventory sold	74,341	—	74,341	231,834	—	231,834
SG&A expenses	83,542	4,781	88,323	272,503	14,549	287,052
Segment profit	\$ 40,634	8,995	49,629	\$ 158,169	\$ 24,256	\$ 182,425
Acquisition-related costs			2,007			5,039
D&A expenses			16,723			49,451
Gain on disposition of PPE			(342)			(958)
Foreign exchange loss			47			31
Operating income			31,194			\$ 128,862
Interest expense			(10,473)			(32,720)
Other income, net			7,182			8,995
Income tax expense			(4,791)			(19,091)
Net income			23,112			\$ 86,046

The Company's geographic breakdown of total revenue as determined by the revenue and location of assets, which represents property, plant and equipment is as follows:

	United States	Canada	Europe	Other	Consolidated
Total revenues for the three months ended:					
September 30, 2019	\$ 156,380	\$ 56,129	\$ 34,522	\$ 42,765	\$ 289,796
September 30, 2018	114,410	52,711	43,935	34,290	245,346
Total revenues for the nine months ended:					
September 30, 2019	552,186	178,069	136,590	119,602	986,447
September 30, 2018	392,904	201,296	123,335	96,519	814,054

### 5. Revenue

The Company's revenue from the rendering of services is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Service revenue:				
Commissions	\$ 90,928	\$ 87,548	\$ 317,674	\$ 313,539
Fees	87,649	73,826	267,881	238,197
	178,577	161,374	585,555	551,736
Inventory sales revenue	111,219	83,972	400,892	262,318
	\$ 289,796	\$ 245,346	\$ 986,447	\$ 814,054

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

### 6. Operating expenses

#### Costs of services

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Ancillary and logistical service expenses	\$ 13,285	\$ 11,682	\$ 43,516	\$ 46,242
Employee compensation expenses	11,555	10,170	37,268	30,120
Buildings, facilities and technology expenses	1,655	1,990	5,961	7,280
Travel, advertising and promotion expenses	5,765	5,921	24,440	20,535
Other costs of services	4,122	3,290	11,534	8,566
	<u>\$ 36,382</u>	<u>\$ 33,053</u>	<u>\$ 122,719</u>	<u>\$ 112,743</u>

#### SG&A expenses

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Employee compensation expenses	\$ 60,680	56,959	\$ 186,033	\$ 186,951
Buildings, facilities and technology expenses	14,569	15,058	45,066	45,767
Travel, advertising and promotion expenses	10,033	9,302	28,400	27,821
Professional fees	3,685	2,983	11,915	12,638
Other SG&A expenses	4,724	4,021	15,175	13,875
	<u>\$ 93,691</u>	<u>\$ 88,323</u>	<u>\$ 286,589</u>	<u>\$ 287,052</u>

#### Acquisition-related costs

Acquisition-related costs consist of operating expenses directly incurred as part of a business combination, due diligence and integration planning related to the IronPlanet acquisition, and continuing employment costs that are recognized separately from our business combinations.

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
IronPlanet:				
Other acquisition-related costs	\$ —	\$ 1,756	\$ 82	\$ 2,876
Other acquisitions:				
Continuing employment costs	34	251	121	2,104
Other acquisition-related costs	11	—	549	59
	<u>\$ 45</u>	<u>\$ 2,007</u>	<u>\$ 752</u>	<u>\$ 5,039</u>

#### Depreciation and amortization expenses

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Depreciation expense	\$ 7,305	\$ 7,252	\$ 21,630	\$ 21,460
Amortization expense	10,387	9,471	30,289	27,991
	<u>\$ 17,692</u>	<u>\$ 16,723</u>	<u>\$ 51,919</u>	<u>\$ 49,451</u>

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)  
(Unaudited)

### 7. Income taxes

At the end of each interim period, the Company estimates 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.

For the three months ended September 30, 2019, income tax expense was \$6,760,000, compared to an income tax expense of \$4,791,000 for the same period in 2018. The effective tax rate was 21% in the third quarter of 2019, compared to 17% in the third quarter of 2018. The effective tax rate increased in the third quarter of 2019 compared to the third quarter of 2018 primarily due to a greater proportion of annual income subject to tax in jurisdictions with higher tax rates.

For the nine months ended September 30, 2019, income tax expense was \$28,800,000, compared to an income tax expense of \$19,091,000 for the same period in 2018. The effective tax rate was 23% for the nine months ended September 30, 2019, compared to 18% for the nine months ended September 30, 2018. The effective tax rate increased in the nine months ended September 30, 2019, compared to the nine months ended September 30, 2018, primarily due to a greater proportion of annual income subject to tax in jurisdictions with higher tax rates and impacts of the U.S. tax reform.

The Tax Cuts and Jobs Act, or TCJA was enacted in the United States on December 22, 2017. It is possible that additional legislation, regulations and/or guidance may be issued, and possibly with retroactive effect, in the future that may result in additional adjustments to the tax expense recorded related to the TCJA.

### 8. Earnings per share attributable to stockholders

Basic earnings per share ("EPS") attributable to stockholders was calculated by dividing the net income attributable to stockholders by the weighted average ("WA") number of common shares outstanding during the period. Diluted EPS attributable to stockholders was calculated by dividing the net income attributable to stockholders by the WA number of shares of common stock outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include unvested PSUs, RSUs, and outstanding stock options. The dilutive effect of potentially dilutive securities is reflected in diluted EPS by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of the Company's common stock can result in a greater dilutive effect from potentially dilutive securities.

	Three months ended September 30, 2019			Nine months ended September 30, 2019		
	Net income attributable to stockholders	WA number of shares	Per share amount	Net income attributable to stockholders	WA number of shares	Per share amount
Basic	\$ 25,266	108,003,390	\$ 0.23	\$ 97,466	108,453,525	\$ 0.90
Effect of dilutive securities:						
Share units	—	481,268	—	—	430,175	—
Stock options	—	896,515	—	—	750,495	—
Diluted	\$ 25,266	109,381,173	\$ 0.23	\$ 97,466	109,634,195	\$ 0.89

**Notes to the Condensed Consolidated Financial Statements**

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

**9. Supplemental cash flow information**

<b>Nine months ended September 30,</b>	<b>2019</b>	<b>2018</b>
Trade and other receivables	\$ (123,667)	\$ (159,258)
Inventory	58,791	(49,140)
Advances against auction contracts	4,528	2,434
Prepaid expenses and deposits	309	(5,282)
Income taxes receivable	(4,123)	10,829
Auction proceeds payable	248,587	130,185
Trade and other payables	(48,882)	15,827
Income taxes payable	14,050	6,836
Share unit liabilities	—	1,204
Other	(10,221)	2,138
Net changes in operating assets and liabilities	<u>\$ 139,372</u>	<u>\$ (44,227)</u>
<b>Nine months ended September 30,</b>	<b>2019</b>	<b>2018</b>
Interest paid, net of interest capitalized	\$ 34,955	\$ 36,278
Interest received	2,491	2,009
Net income taxes paid	23,193	7,902
Non-cash purchase of property, plant and equipment under capital lease	<u>\$ 10,747</u>	<u>\$ 5,490</u>
	<b>September 30,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 309,555	\$ 237,744
Restricted cash	141,832	67,823
Cash, cash equivalents, and restricted cash	<u>\$ 451,387</u>	<u>\$ 305,567</u>

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

### 10. Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement or disclosure:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs for the asset or liability.

	Category	September 30, 2019		December 31, 2018		
		Carrying amount	Fair value	Carrying amount	Fair value	
<i>Fair values disclosed:</i>						
Cash and cash equivalents	Level 1	\$ 309,555	\$ 309,555	\$ 237,744	\$ 237,744	
Restricted cash	Level 1	141,832	141,832	67,823	67,823	
Short-term debt	Level 2	5,805	5,805	19,896	19,896	
Long-term debt						
Senior unsecured notes	Level 1	490,480	521,250	489,136	487,813	
Term loans	Level 2	198,848	200,426	222,162	224,582	

The carrying value of the Company's cash and cash equivalents, restricted cash, trade and other receivables, advances against auction contracts, auction proceeds payable, trade and other payables, and short term debt approximate their fair values due to their short terms to maturity. The carrying value of the term loans, before deduction of deferred debt issue costs, approximates their fair value as the interest rates on the loans were short-term in nature. The fair value of the senior unsecured notes is determined by reference to a quoted market price.

### 11. Other current assets

	September 30, 2019	December 31, 2018
Advances against auction contracts	\$ 11,055	\$ 15,558
Assets held for sale	15,051	15,051
Prepaid expenses and deposits	18,258	18,446
	<u>\$ 44,364</u>	<u>\$ 49,055</u>

#### *Assets held for sale*

Balance, December 31, 2018	15,051
Reclassified from (to) property, plant and equipment	—
Balance, September 30, 2019	<u>\$ 15,051</u>

As at September 30, 2019, the Company's assets held for sale consisted of two excess properties located in the United States. Management made the strategic decision to sell these properties to maximize the Company's return on invested capital. The estimated sales proceeds are expected to be in excess of the current book value. The properties have been actively marketed for sale, and management expects the sales to be completed within 12 months of September 30, 2019. These properties belong to the A&M reportable segment.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

### 12. Other non-current assets

	September 30, 2019	December 31, 2018
Right-of-use assets	\$ 117,898	\$ —
Tax receivable	12,824	12,705
Equity-accounted investments	4,201	4,010
Deferred debt issue costs	1,564	2,017
Other	11,888	10,663
	<u>\$ 148,375</u>	<u>\$ 29,395</u>

### 13. Debt

	Carrying amount	
	September 30, 2019	December 31, 2018
Short-term debt	\$ 5,805	\$ 19,896
Long-term debt:		
Term loans:		
Denominated in Canadian dollars, secured, bearing interest at a weighted average rate of 3.951%, due in monthly installments of interest only and quarterly installments of principal, maturing in October 2021	157,736	161,891
Denominated in United States dollars, secured, bearing interest at a weighted average rate of 4.200%, due in weekly installments of interest only and quarterly installments of principal, maturing in October 2021	42,690	62,690
Less: unamortized debt issue costs	(1,578)	(2,419)
Senior unsecured notes:		
Bearing interest at 5.375% due in semi-annual installments, with the full amount of principal due in January 2025	500,000	500,000
Less: unamortized debt issue costs	(9,520)	(10,864)
Total long-term debt	<u>689,328</u>	<u>711,298</u>
Total debt	<u>\$ 695,133</u>	<u>\$ 731,194</u>
Long-term debt:		
Current portion	\$ 18,027	\$ 13,126
Non-current portion	671,301	698,172
Total long-term debt	<u>\$ 689,328</u>	<u>\$ 711,298</u>

During the three and nine months ended September 30, 2019, the Company made voluntary prepayments totalling \$10,000,000 and \$20,000,000, respectively (2018 - \$nil and \$50,000,000, respectively) on the term loan denominated in United States dollars. 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.

Short-term debt is comprised of drawings in different currencies on the Company's committed revolving credit facilities, and for the three months ended September 30, 2019, have a weighted average interest rate of 2.1% (December 31, 2018: 2.3%).

As at September 30, 2019, the Company had unused committed revolving credit facilities aggregating \$488,979,000 of which \$484,259,000 is available until October 27, 2021.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

### 14. Other non-current liabilities

	September 30, 2019	December 31, 2018
Operating lease liability	\$ 112,244	\$ —
Tax payable	20,159	22,583
Finance lease liability	14,640	10,146
Other	3,357	9,251
	<u>\$ 150,400</u>	<u>\$ 41,980</u>

### 15. Equity and dividends

#### Share capital

##### *Preferred stock*

Unlimited number of senior preferred shares, without par value, issuable in series.

Unlimited number of junior preferred shares, without par value, issuable in series.

All issued shares are fully paid. No preferred shares have been issued.

#### Dividends

##### *Declared and paid*

The Company declared and paid the following dividends during the nine months ended September 30, 2019 and 2018:

	<u>Declaration date</u>	<u>Dividend per share</u>	<u>Record date</u>	<u>Total dividends</u>	<u>Payment date</u>
Nine months ended September 30, 2019:					
Fourth quarter 2018	January 25, 2019	\$ 0.1800	February 15, 2019	\$ 19,568	March 8, 2019
First quarter of 2019	May 8, 2019	0.1800	May 29, 2019	19,592	June 19, 2019
Second quarter of 2019	August 8, 2019	0.2000	August 28, 2019	21,631	September 18, 2019
Nine months ended September 30, 2018:					
Fourth quarter 2017	January 26, 2018	\$ 0.1700	February 16, 2018	\$ 18,246	March 9, 2018
First quarter of 2018	May 9, 2018	0.1700	May 30, 2018	18,342	June 20, 2018
Second quarter of 2018	August 7, 2018	0.1800	August 29, 2018	19,528	September 19, 2018

##### *Declared and undistributed*

Subsequent to September 30, 2019, the Company's Board of Directors declared a quarterly dividend of \$0.20 cents per common share, payable on December 18, 2019 to stockholders of record on November 27, 2019. This dividend payable has not been recognized as a liability in the financial statements. The payment of this dividend will not have any tax consequences for the Company.

#### Foreign currency translation reserve

Foreign currency translation adjustments include intra-entity foreign currency transactions that are of a long-term investment nature, which generated net loss of \$4,623,000 and \$2,971,000 for the three and nine months ended September 30, 2019 (2018: net losses of \$1,072,000 and \$6,256,000).

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

### 16. Share-based payments

Share-based payments consist of the following compensation costs:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Stock option compensation expense:				
SG&A expenses	\$ 1,653	\$ 2,066	\$ 4,852	\$ 6,354
Acquisition-related costs	—	162	—	357
Share unit expense:				
Equity-classified share units	2,851	2,718	8,754	8,978
Liability-classified share units	589	300	829	2,245
Employee share purchase plan - employer contributions	567	538	1,692	1,630
	<u>\$ 5,660</u>	<u>\$ 5,784</u>	<u>\$ 16,127</u>	<u>\$ 19,564</u>

Share unit expense and employer contributions to the employee share purchase plan are recognized in SG&A expenses.

### Stock option plans

Stock option activity for the nine months ended September 30, 2019 is presented below:

	Common shares under option	WA exercise price	WA remaining contractual life (in years)	Aggregate intrinsic value
Outstanding, December 31, 2018	4,013,863	\$ 26.41	7.2	\$ 25,374
Granted	914,068	34.03		
Exercised	(544,576)	22.84		7,939
Forfeited	(61,358)	26.26		
Outstanding, September 30, 2019	<u>4,321,997</u>	<u>28.47</u>	<u>7.2</u>	<u>49,396</u>
Exercisable, September 30, 2019	<u>2,548,247</u>	<u>\$ 25.76</u>	<u>6.1</u>	<u>\$ 36,041</u>

The significant assumptions used to estimate the fair value of stock options granted during the nine months ended September 30, 2019 and 2018 are presented in the following table on a weighted average basis:

Nine months ended September 30,	2019	2018
Risk free interest rate	2.5 %	2.7 %
Expected dividend yield	2.06 %	2.11 %
Expected lives of the stock options	5 years	5 years
Expected volatility	<u>26.8 %</u>	<u>28.1 %</u>

As at September 30, 2019, the unrecognized stock-based compensation cost related to the non-vested stock options was \$6,309,000, which is expected to be recognized over a weighted average period of 2.2 years.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)  
(Unaudited)

### 16. Share-based payments (continued)

#### Share unit plans

Share unit activity for the nine months ended September 30, 2019 is presented below:

	Equity-classified awards				Liability-classified awards	
	PSUs		RSUs		DSUs	
	Number	WA grant date fair value	Number	WA grant date fair value	Number	WA grant date fair value
Outstanding, December 31, 2018	670,288	\$ 31.46	207,986	\$ 28.99	113,435	\$ 28.16
Granted	168,225	36.17	35,251	35.58	19,487	34.93
Vested and settled	(251,883)	30.33	(265)	31.98	—	—
Forfeited	(20,282)	31.76	(4,797)	34.89	—	—
Outstanding, September 30, 2019	566,348	\$ 33.00	238,175	\$ 29.74	132,922	\$ 28.90

#### Senior executive and employee PSU plans

The Company grants PSUs under a senior executive PSU plan and an employee PSU plan (the “PSU Plans”). Under the PSU Plans, the number of PSUs that vest is conditional upon specified market, service, or performance vesting conditions being met. The PSU Plans allow the Company to choose whether to settle the awards in cash or in shares. The Company intends to settle in shares. With respect to settling in shares, the Company has the option to either (i) arrange for the purchase shares on the open market on the employee’s behalf based on the cash value that otherwise would be delivered, or (ii) to issue a number of shares equal to the number of units that vest.

The fair value of the equity-classified PSUs awarded in 2018 is estimated on modification date and on the date of grant using a Monte-Carlo simulation model as these awards are subject to market vesting conditions. The significant assumptions used to estimate the fair value of the equity-classified PSUs awarded during the nine months ended September 30, 2018, are presented in the following table on a weighted average basis:

Nine months ended September 30,	2018
Risk free interest rate	1.9 %
Expected dividend yield	2.09 %
Expected lives of the PSUs	3 years
Expected volatility	31.1 %
Average expected volatility of comparable companies	34.1 %

The fair value of the equity-classified PSUs awarded in 2019 is estimated based on the Company’s common share price at grant date, as these awards are not subject to market vesting conditions.

As at September 30, 2019, the unrecognized share unit expense related to equity-classified PSUs was \$8,751,000, which is expected to be recognized over a weighted average period of 1.8 years.

#### RSUs

The Company has RSU plans that are equity-settled and not subject to market vesting conditions.

As at September 30, 2019, the unrecognized share unit expense related to equity-classified RSUs was \$3,144,000, which is expected to be recognized over a weighted average period of 1.4 years.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

### 16. Share-based payments (continued)

#### Share unit plans (continued)

##### DSUs

The Company has DSU plans that are cash-settled and not subject to market vesting conditions.

Fair values of DSUs are estimated on grant date and at each reporting date. DSUs are granted under the DSU plan to members of the Board of Directors. There is no unrecognized share unit expense related to liability-classified DSUs as they vest immediately and are expensed upon grant.

As at September 30, 2019, the Company had a total share unit liability of \$5,159,000 (December 31, 2018: \$3,714,000) in respect of share units under the DSU plans.

#### Employee share purchase plan

The Company has an employee share purchase plan that allows all employees that have completed two months of service to contribute funds to purchase common shares at the current market value at the time of share purchase. Employees may contribute up to 4% of their salary. The Company will match between 50% and 100% of the employee's contributions, depending on the employee's length of service with the Company.

### 17. Leases

The Company's breakdown of lease expense for the three and nine months ended September 30, 2019 is as follows:

	Three months ended	Nine months ended
Operating lease cost	\$ 4,096	\$ 13,379
Finance lease cost		
Amortization of leased assets	2,103	5,555
Interest on lease liabilities	211	565
Short-term lease cost	1,889	6,964
Sublease income	(150)	(447)
	<u>\$ 8,149</u>	<u>\$ 26,016</u>

#### Operating leases

The Company has entered into commercial leases for various auction sites and offices located in North America, Europe, the Middle East and Asia. The majority of these leases are non-cancellable. The Company also has further operating leases for computer equipment, certain motor vehicles and small office equipment where it is not in the best interest of the Company to purchase these assets.

The majority of the Company's operating leases have a fixed term with a remaining life between one month and 20 years, with renewal options included in the contracts. The leases have varying contract terms, escalation clauses and renewal options. Generally there are no restrictions placed upon the lessee by entering into these leases, other than restrictions on use of property, sub-letting and alterations. At the inception of a lease, the Company determines whether it is reasonably certain to exercise a renewal option and includes the options in the determination of the lease term and the lease liability where it is reasonably certain to exercise the option. If the Company's intention is to exercise an option subsequent to the commencement of the lease, the Company will re-assess the lease term. The Company has included certain renewal options in its operating lease liabilities for key property leases for locations that have strategic importance to the Company such as its Corporate Head Office. The Company has not included any purchase options available within its operating lease portfolio in its determination of its operating lease liability.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

### 17. Leases (continued)

#### Operating leases (continued)

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Remainder of 2019	\$	3,795
2020		15,922
2021		13,472
2022		12,124
2023		10,384
Thereafter		113,731
Total future minimum lease payments	\$	169,428
less: imputed interest		(46,436)
Total operating lease liability	\$	122,992
less: operating lease liability - current		(10,748)
Total operating lease liability - non current	\$	112,244

As at September 30, 2019, the weighted average remaining lease term for operating leases is 15.6 years and the weighted average discount rate is 4.2%.

#### Finance leases

The Company has entered into finance lease arrangements for certain vehicles, computer and yard equipment and office furniture. The majority of the leases have a fixed term with a remaining life of one month to six years with renewal options included in the contracts. In certain of these leases, the Company has the option to purchase the leased asset at fair market value or a stated residual value at the end of the lease term. For certain leases such as vehicle leases the Company has included renewal options in the determination of its lease liabilities. The Company has not included any purchase options available within its finance lease portfolio in its determination of the finance lease liability.

As at September 30, 2019, the net carrying amount of computer and yard equipment and other assets under capital leases is \$20,660,000 (December 31, 2018: \$14,976,000), and is included in the total property, plant and equipment as disclosed on the consolidated balance sheets.

<b>As at September 30, 2019</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
Computer equipment	\$ 14,362	\$ (6,812)	\$ 7,550
Yard and others	17,797	(4,687)	13,110
	<u>\$ 32,159</u>	<u>\$ (11,499)</u>	<u>\$ 20,660</u>

<b>As at December 31, 2018</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
Computer equipment	\$ 9,428	\$ (3,992)	\$ 5,436
Yard and auto equipment	12,125	(2,585)	9,540
	<u>\$ 21,553</u>	<u>\$ (6,577)</u>	<u>\$ 14,976</u>

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

### 17. Leases (continued)

#### Finance leases (continued)

The future aggregate minimum lease payments under non-cancellable finance leases are as follows:

Remainder of 2019	\$	1,998
2020		7,246
2021		5,913
2022		4,107
2023		2,517
Thereafter		843
Total future minimum lease payments	\$	22,624
less: imputed interest		(1,357)
Total finance lease liability	\$	21,267
less: finance lease liability - current		(6,627)
Total finance lease liability - non current	\$	14,640

At September 30, 2019, the weighted average remaining lease term for finance leases is 3.5 years and the weighted average discount rate is 4.0%.

#### Subleases

As at September 30, 2019, the total future minimum sublease payments expected to be received under non-cancellable subleases is \$734,000.

### 18. Commitments

#### Commitment for inventory purchase

The Company entered into a two-year non-rolling stock surplus contract with the U.S. Government Defense Logistics Agency (the "DLA") in December 2017 with the option to extend for up to four-years. Pursuant to the contract the performance period commenced in April 2018 and concludes in March 2020.

The Company has committed to purchase between 150,000 and 245,900 units of property with an expected minimum value of \$11,104,000 and up to \$51,028,000 annually to the extent that goods are available from the DLA over each 12 month period relating to the purchase of inventory. At September 30, 2019, the Company has purchased \$19,328,000 pursuant to the 12 month period of this contract which commenced in April 2019.

### 19. Contingencies

#### Legal and other claims

The Company is subject to legal and other claims that arise in the ordinary course of its business. Management does not believe that the results of these claims will have a material effect on the Company's consolidated balance sheet or consolidated income statement.

#### Guarantee contracts

In the normal course of business, the Company will in certain situations guarantee to a consignor a minimum level of proceeds in connection with the sale at auction of that consignor's equipment.

At September 30, 2019, there were \$85,777,000 of assets guaranteed under contract, of which 80% is expected to be sold prior to December 31, 2019 with the remainder to be sold by June 30, 2020 (December 31, 2018: \$41,461,000 of which 51% was expected to be sold prior to the end of March 31, 2019 with the remainder to be sold by May 31, 2020).

The outstanding guarantee amounts are undiscounted and before estimated proceeds from sale at auction.

## 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, 2018, which is available on our website at [www.rbauction.com](http://www.rbauction.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.

In the accompanying analysis of financial information, we sometimes use information derived from consolidated financial data but not presented in our financial statements prepared in accordance with US GAAP. Certain of these data are considered "non-GAAP financial measures" under the SEC rules. The definitions of these non-GAAP financial measures and the reconciliations to their most directly comparable US GAAP financial measures are included either with the first use thereof or in the Non-GAAP Measures section within the MD&A. Non-GAAP financial measures referred to in this report are labeled as "non-GAAP measure" or designated as such with an asterisk (\*). Please see pages 40-44 for explanations of why we use these non-GAAP measures and the reconciliation to the most comparable GAAP financial measures .

Beginning in the first quarter of 2019, we are no longer disclosing agency proceeds\*. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2018 for more information.

### Overview

Ritchie Bros. Auctioneers Incorporated ("Ritchie Bros.", the "Company", "we", or "us") (NYSE & TSX: RBA) was founded in 1958 in Kelowna, British Columbia, Canada and is a world leader in asset management and disposition of used industrial equipment and other durable assets, selling \$4.96 billion of used equipment and other assets during 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 sell used equipment for our customers through live, unreserved auctions at 40 auction sites worldwide, which are also simulcast online to reach a global bidding audience and through our online marketplaces.

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

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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.

We operate globally with locations in more than 13 countries, including the U.S., Canada, Australia, the United Arab Emirates (“UAE”), and the Netherlands, and employ more than 2,300 full time employees worldwide.

### **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. For a complete listing of channels and brand solutions available under our A&M segment, as well as our Other services segment, please refer to our Annual Report on Form 10-K for the year ended December 31, 2018, which is available on our website at [www.rbauction.com](http://www.rbauction.com), on EDGAR at [www.sec.gov](http://www.sec.gov), or on SEDAR at [www.sedar.com](http://www.sedar.com).

### Contract options

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

- 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 revenue 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.

### Revenue Mix Fluctuations

Our revenue is comprised of service revenue and inventory sales revenue. Service revenue from A&M segment activities include commissions earned at our live auctions, online marketplaces, and private brokerage services, and various auction-related fees, including listing and buyer transaction fees. We also recognize revenues from our Other Services activities as service revenue. Inventory sales revenue is recognized as part of our A&M activities, and relates to revenues earned through our inventory contracts.

Inventory sales revenue can fluctuate significantly, as it changes based on whether our customers sell using a straight commission contract, guarantee contract, or an inventory contract at time of selling. Straight commission contracts and guarantee contracts will result in the commission being recognized as service revenue, while inventory contracts will result in the GTV of the equipment sold being recorded as inventory sales revenue with the related cost recognized in cost of inventory sold. As a result, a change in the revenue mix between service revenue and inventory sales revenue can have a significant impact on revenue growth percentages.

## Performance Overview

Net income attributable to stockholders for Q3 2019 increased 9% to \$25.3 million, diluted earnings per share (“EPS”) attributable to stockholders increased 10% to \$0.23 from \$0.21 per share, while diluted adjusted EPS attributed to stockholders (non-GAAP measure) increased 28% to \$0.23 from \$0.18 per share compared to the same period in 2018.

### Consolidated results:

- Total revenue in Q3 2019 increased 18% to \$289.8 million as compared to Q3 2018
  - Service revenue in Q3 2019 increased 11% to \$178.6 million as compared to Q3 2018
  - Inventory sales revenue in Q3 2019 increased 32% to \$111.2 million as compared to Q3 2018
- Total selling, general and administrative expenses (“SG&A”) in Q3 2019 increased 6% to \$93.7 million as compared to Q3 2018
- Operating income in Q3 2019 increased 29% to \$40.2 million as compared to Q3 2018
- Cash provided by operating activities was \$309.1 million for the first nine months of 2019

### Auctions & Marketplaces segment results:

- GTV in Q3 2019 increased 4% to \$1.1 billion and increased 5% when excluding the impact of foreign exchange as compared to Q3 2018
- A&M total revenue in Q3 2019 increased 20% to \$261.3 million as compared to Q3 2018
  - Service revenue in Q3 2019 increased 12% to \$150.1 million as compared to Q3 2018
  - Inventory sales revenue in Q3 2019 increased 32% to \$111.2 million as compared to Q3 2018

### Other Services segment results:

- Other Services total revenue in Q3 2019 increased 6% to \$28.5 million as compared to Q3 2018
- RBFS revenue in Q3 2019 increased 29% to \$6.2 million as compared to Q3 2018

### Other Company development:

- On August 8, 2019, the Board of Ritchie Bros. announced that Sharon Driscoll, Chief Financial Officer, and Karl Werner, President, International, have been named interim Co-Chief Executive Officers of the Company, in addition to their current roles effective October 1, 2019.

## Results of Operations

### Financial overview

(in U.S. \$000's, except EPS)	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change 2019 over 2018	2019	2018	% Change 2019 over 2018
Service revenue:						
Commissions	\$ 90,928	\$ 87,548	4 %	\$ 317,674	\$ 313,539	1 %
Fees	87,649	73,826	19 %	267,881	238,197	12 %
Total service revenue	178,577	161,374	11 %	585,555	551,736	6 %
Inventory sales revenue	111,219	83,972	32 %	400,892	262,318	53 %
Total revenue	289,796	245,346	18 %	986,447	814,054	21 %
Service revenue as a % of total revenue	61.6 %	65.8 %	(420)bps	59.4 %	67.8 %	(840)bps
Inventory sales revenue as a % of total revenue	38.4 %	34.2 %	420 bps	40.6 %	32.2 %	840 bps
Costs of services	36,382	33,053	10 %	122,719	112,743	9 %
Cost of inventory sold	102,410	74,341	38 %	372,703	231,834	61 %
Selling, general and administrative expenses	93,691	88,323	6 %	286,589	287,052	(0) %
Operating expenses	249,636	214,152	17 %	834,729	685,192	22 %
Cost of inventory sold as a % of operating expenses	41.0 %	34.7 %	630 bps	44.6 %	33.8 %	1,080 bps
Operating income	40,160	31,194	29 %	151,718	128,862	18 %
Operating income margin	13.9 %	12.7 %	120 bps	15.4 %	15.8 %	(40)bps
Net income attributable to stockholders	25,266	23,138	9 %	97,466	85,993	13 %
Adjusted net income attributable to stockholders*	25,266	19,328	31 %	97,466	82,183	19 %
Diluted earnings per share attributable to stockholders	\$ 0.23	\$ 0.21	10 %	\$ 0.89	\$ 0.79	13 %
Diluted adjusted EPS attributable to stockholders*	\$ 0.23	\$ 0.18	28 %	\$ 0.89	\$ 0.75	19 %
Effective tax rate	21.1 %	17.2 %	390 bps	22.8 %	18.2 %	460 bps
Total GTV	1,084,241	1,039,427	4 %	3,756,679	3,626,551	4 %
Service revenue as a % of total GTV- Rate	16.5 %	15.5 %	100 bps	15.6 %	15.2 %	40 bps
Inventory sales revenue as a % of total GTV- Mix	10.3 %	8.1 %	220 bps	10.7 %	7.2 %	350 bps

### Total revenue

Total revenue increased 18% to \$289.8 million in Q3 2019 and increased 21% to \$986.4 million for the first nine months of 2019.

In Q3 2019, total service revenue increased 11% with commissions revenue increasing 4% and fee revenue increasing 19%. The increase in commissions revenue was in line with higher Service GTV, and due to strong performance in our US region, where we experienced volume growth through both our live auctions and weekly featured online businesses, combined with strong growth in our global guarantee rates. The increase in fee revenue was driven primarily by our buyer fees harmonization, fee growth from higher GTV and RBFS fee revenue growth.

For the first nine months of 2019, total service revenue increased 6%, driven by 1% increase in commissions revenue and a 12% increase in fee revenue. The slight increase in commissions revenue is in line with Service GTV. The 12% increase in fee revenue was primarily driven by the same reasons noted above.

Inventory sales revenue as a percent of total GTV increased to 10.3% from 8.1% in Q3 2019 and to 10.7% from 7.2% in the first nine months of 2019.

In Q3 2019, Inventory sales revenue increased 32% primarily due to higher inventory volumes at our US live auctions and our GovPlanet business.

For the first nine months of 2019, inventory sales revenue increased 53% primarily due to our US region, where we had a greater volume of inventory contracts at our live auctions including a large dispersal of pipeline equipment at the Columbus, Ohio auction in Q2 2019 and increased inventory contracts at our Orlando, Florida auction in Q1 2019. Continued revenue growth in our GovPlanet surplus contract also contributed to the increase in inventory sales revenue. There was also higher volume of inventory sales contracts in the International region, and the increase was partially offset by a non-repeating dispersal of large oil and gas equipment in Canada in Q1 2018.

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

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.

For Q3 2019, income tax expense increased 41% to \$6.8 million and our effective tax rate increased 390 bps to 21.1% compared to Q3 2018. For the first nine months of 2019, income tax expense increased by 51% to \$28.8 million and our effective tax rate increased 460 bps to 22.8%. Increases in the effective tax rates for Q3 2019, and for the first nine months of 2019 were primarily due to a greater proportion of annual income subject to tax in jurisdictions with higher tax rates. In addition, the higher effective tax rate in the first nine months of 2019 reflects the impact of the US tax reform.

Accounting for the Tax Cuts and Jobs Act ("TCJA") incorporates assumptions made based on our current enacted interpretations of the TCJA. The accounting may change as we receive additional clarification and implementation guidance of these regulations. In addition, changes in interpretations, assumptions, and guidance regarding the new tax legislation, as well as the potential for technical corrections to the TCJA, could have an impact to our effective tax rate in future periods. We intend to monitor and assess the impact of any future changes in legislative interpretations or standards and adjust our tax provision in the quarter of enactment as new information becomes available.

### **Net income**

Net income attributable to stockholders increased 9% to \$25.3 million in Q3 2019 and increased 13% to \$97.5 million for the first nine months of 2019. These increases were primarily due to higher operating income, partially offset by a non-recurring gain on sale of equity accounted investment recorded in Q3 2018 and higher taxes due to an increase in the effective tax rate.

### **Diluted EPS**

Diluted EPS attributable to stockholders increased 10% to \$0.23 per share in Q3 2019 and increased 13% to \$0.89 per share for the first nine months of 2019.

## U.S. dollar exchange rate comparison

We conduct global operations in many different currencies, with our presentation currency being the U.S. dollar. The following table presents the variance in select foreign exchange rates over the comparative reporting periods:

Value of one local currency to U.S. dollar	2019	2018	<u>% Change</u> <u>2019 over 2018</u>
<b>Period-end exchange rate</b>			
Canadian dollar	0.7551	0.7745	(3)%
Euro	1.0900	1.1605	(6)%
Australian dollar	0.6751	0.7226	(7)%
<b>Average exchange rate- Three months ended September 30,</b>			
Canadian dollar	0.7572	0.7651	(1)%
Euro	1.1116	1.1633	(4)%
Australian dollar	0.6851	0.7309	(6)%
<b>Average exchange rate- Nine months ended September 30,</b>			
Canadian dollar	0.7524	0.7766	(3)%
Euro	1.1236	1.1941	(6)%
Australian dollar	0.6990	0.7572	(8)%

For Q3 2019 and the first nine months of 2019, foreign exchange had an unfavourable impact on total revenue and a favourable impact on expenses. These impacts were primarily due to the fluctuations in the Euro and Canadian dollar exchange rates relative to the U.S. dollar.

## Non-GAAP Measures

As part of management's non-GAAP measures, we may eliminate the financial impact of adjusting items which are after-tax effects of significant non-recurring items that we do not consider to be part of our normal operating results, such as acquisition-related costs, management reorganization costs, severance, retention, gains/losses on sale of an equity accounted for investment, plant and equipment, impairment losses, and certain other items, which we refer to as 'adjusting items'.

Adjusted net income attributed to stockholders (non-GAAP measure) increased 31%, to \$25.3 million in Q3 2019 and increased 19% to \$97.5 million for the first nine months of 2019.

Adjusted diluted EPS attributable to stockholders (non-GAAP measure) increased 28% to \$0.23 from \$0.18 in Q3 2019 and increased 19% to \$0.89 from \$0.75 for the first nine months of 2019.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") (non-GAAP measure) increased 17%, to \$59.3 million in Q3 2019 and increased 14% to \$206.9 million for the first nine months of 2019.

Debt at the end of Q3 2019 represented 5.2 times net income as at and for the 12 months ended September 30, 2019. This compares to debt at Q3 2018, which represented 6.2 times net income as at and for the 12 months ended September 30, 2018. The decrease in this debt/net income multiplier was primarily due to lower debt balances at September 30, 2019 compared to September 30, 2018, as a result of our voluntary and involuntary debt repayments. The adjusted net debt/adjusted EBITDA (non-GAAP measure) was 1.4 times as at and for the 12 months ended September 30, 2019 compared to 2.2 times as at and for the 12 months ended September 30, 2018.

## Segment Performance

We provide our customers with a wide array of services. The following table presents a breakdown of our consolidated results between the A&M segment and Other services segment. A complete listing of channels and brand solutions under the A&M segment, as well as our Other services segment, is available in our Annual Report on Form 10-K for the year ended December 31, 2018.

(in U.S \$000's)	Three months ended September 30, 2019			Nine months ended September 30, 2019		
	A&M	Other	Consolidated	A&M	Other	Consolidated
Service revenue	\$ 150,093	\$ 28,484	\$ 178,577	\$ 494,580	\$ 90,975	\$ 585,555
Inventory sales revenue	111,219	—	111,219	400,892	—	400,892
Total revenue	261,312	28,484	289,796	895,472	90,975	986,447
Ancillary and logistical service expenses	—	13,285	13,285	—	43,516	43,516
Other costs of services	21,431	1,666	23,097	74,799	4,404	79,203
Cost of inventory sold	102,410	—	102,410	372,703	—	372,703
SG&A expenses	88,138	5,553	93,691	268,786	17,803	286,589
Segment profit	\$ 49,333	\$ 7,980	\$ 57,313	\$ 179,184	\$ 25,252	\$ 204,436

(in U.S \$000's)	Three months ended September 30, 2018			Nine months ended September 30, 2018		
	A&M	Other	Consolidated	A&M	Other	Consolidated
Service revenue	\$ 134,604	\$ 26,770	\$ 161,374	\$ 463,076	\$ 88,660	\$ 551,736
Inventory sales revenue	83,972	—	83,972	262,318	—	262,318
Total revenue	218,576	26,770	245,346	725,394	88,660	814,054
Ancillary and logistical service expenses	—	11,682	11,682	—	46,242	46,242
Other costs of services	20,059	1,312	21,371	62,888	3,613	66,501
Cost of inventory sold	74,341	—	74,341	231,834	—	231,834
SG&A expenses	83,542	4,781	88,323	272,503	14,549	287,052
Segment profit	\$ 40,634	\$ 8,995	\$ 49,629	\$ 158,169	\$ 24,256	\$ 182,425

## Auctions and Marketplaces Segment

Results of A&M segment operations are presented below for the comparative reporting periods.

(in U.S. \$000's, except EPS)	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change 2019 over 2018	2019	2018	% Change 2019 over 2018
Service revenue	\$ 150,093	\$ 134,604	12 %	\$ 494,580	\$ 463,076	7 %
Inventory sales revenue	111,219	83,972	32 %	400,892	262,318	53 %
Total revenue	261,312	218,576	20 %	895,472	725,394	23 %
A&M service revenue as a % of total A&M revenue	57.4 %	61.6 %	(420)bps	55.2 %	63.8 %	(860)bps
Inventory sales revenue as a % of total A&M revenue	42.6 %	38.4 %	420 bps	44.8 %	36.2 %	860 bps
Costs of services	21,431	20,059	7 %	74,799	62,888	19 %
Cost of inventory sold	102,410	74,341	38 %	372,703	231,834	61 %
SG&A expenses	88,138	83,542	6 %	268,786	272,503	(1)%
A&M segment expenses	\$ 211,979	\$ 177,942	19 %	\$ 716,288	\$ 567,225	26 %
Cost of inventory sold as a % of A&M expenses	48.3 %	41.8 %	650 bps	52.0 %	40.9 %	1110 bps
A&M segment profit	\$ 49,333	\$ 40,634	21 %	\$ 179,184	\$ 158,169	13 %
Total GTV	1,084,241	1,039,427	4 %	3,756,679	3,626,551	4 %
A&M service revenue as a % of total GTV- Rate	13.8 %	12.9 %	90 bps	13.2 %	12.8 %	40 bps

## Gross Transaction Value

We believe it is meaningful to consider revenue in relation to GTV. GTV by channel and by revenue type are presented below for the comparative reporting periods.

### GTV by Channel

(in U.S \$000's)	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change 2019 over 2018	2019	2018	% Change 2019 over 2018
Live on site auctions	\$ 825,294	\$ 850,484	(3)%	\$ 3,058,087	\$ 3,025,982	1 %
Percentage of total	76.1 %	81.8 %		81.4 %	83.4 %	
Online marketplaces including featured <sup>(1)</sup> and other <sup>(2)</sup>	258,947	188,943	37 %	698,592	600,569	16 %
Percentage of total	23.9 %	18.2 %		18.6 %	16.6 %	
<b>GTV</b>	<b>\$ 1,084,241</b>	<b>\$ 1,039,427</b>	<b>4 %</b>	<b>\$ 3,756,679</b>	<b>\$ 3,626,551</b>	<b>4 %</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.

For the three and nine months ended September 30, 2019, GTV increased 4%, and excluding the impact of foreign exchange, GTV increased 5%.

In Q3 2019, the increase in GTV was led by strong growth in online marketplaces of 37%, partially offset by live on site auction volume declining 3%. Online marketplaces increased due to volume growth in International Marketplace-E, US strategic accounts and alliances, and GovPlanet. For our live on site auctions, the US region added new auctions and reported growth performance at our year-on-year industrial auctions. Despite this strong positive live GTV performance from the US, overall live was down due to a calendar shift of the larger Moerdijk, Netherlands auction to Q2 2019, lower demand within the energy and Canadian agriculture sectors, and softer performance at the Dubai, UAE auction from lower demand in the region.

For the first nine months of 2019, the increase in GTV was led by a 16% increase in online marketplaces and 1% growth in live on site auctions. Online marketplaces increased due to GovPlanet, growth in International Marketplace-E, and US strategic accounts and alliances. GTV from live on site auctions increased primarily due to increased volume at our US live on site auctions with growth performance at our year-on-year industrial auctions, as well as a \$94 million auction in Columbus, Ohio and our largest auction held in Orlando, Florida. This increase was partially offset by a non-repeat of a large oil and gas equipment dispersal from our Q1 2018 Grande Prairie auction, lower volumes as a result of calendar shifts, and softer performance at the Dubai, UAE auction from lower demand in the region in Q3 2019.

### GTV by Revenue Type

(in U.S \$000's)	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change 2019 over 2018	2019	2018	% Change 2019 over 2018
Service GTV	\$ 973,022	\$ 955,455	2 %	\$ 3,355,787	\$ 3,364,233	(0) %
Percentage of total	89.7 %	91.9 %		89.3 %	92.8 %	
Inventory GTV	111,219	83,972	32 %	400,892	262,318	53 %
Percentage of total	10.3 %	8.1 %		10.7 %	7.2 %	
<b>GTV</b>	<b>\$ 1,084,241</b>	<b>\$ 1,039,427</b>	<b>4 %</b>	<b>\$ 3,756,679</b>	<b>\$ 3,626,551</b>	<b>4 %</b>

In Q3 2019, Service GTV increased 2%, while Inventory GTV increased 32%. For the first nine months of 2019, Service GTV was flat while Inventory GTV increased 53%. The increase in Inventory GTV for both the three and nine month periods were primarily driven by a strong volume performance in our US live auctions and continued growth in GovPlanet surplus contract.

We offer our customers the opportunity to use underwritten commission contracts to serve their disposition strategy needs, entering into such contracts where the risk and reward profile of the terms are agreeable. Our underwritten contracts, which includes inventory and guarantee contracts, increased as a percentage of total GTV to 17.8% in Q3 2019 compared to 15.5% in Q3 2018, primarily due to increased GTV signed with inventory contracts. For the first nine months of 2019, our underwritten contracts increased as a percentage of total GTV to 19.9% compared to 15.7% in the prior period.

## Online bidding

Across all channels, 67% of total GTV was purchased by online buyers in Q3 2019 compared to 60% in Q3 2018. For the first nine months of 2019, GTV from online buyers was 63% compared to 58% in the comparable prior year period. These increases in internet bidders and online buyers demonstrate the continued growth in adoption of multi-channel participation at our auctions.

## Industrial Live On Site Metrics

### Total industrial live on site auction metrics

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change 2019 over 2018	2019	2018	% Change 2019 over 2018
Number of auctions	46	45	2 %	140	130	8 %
Bidder registrations	165,500	123,000	35 %	508,750	383,500	33 %
Consignors	14,000	13,600	3 %	43,000	39,050	10 %
Buyers	34,800	31,400	11 %	109,050	96,750	13 %
Lots	98,400	89,000	11 %	305,150	273,500	12 %

In Q3 2019, we held one additional industrial auction, yet our GTV from our live on site auctions decreased 3%. During the quarter, we added some smaller scale auctions in the US, offset by a calendar shift of our larger Moerdijk, Netherlands auction to Q2 2019. We also held 13 fewer agricultural auctions in Canada, which are not included in the industrial live on site number of auctions.

For the first nine months of 2019, we held 10 additional industrial auctions and these additional auctions contributed to the 1% growth in our live on site auctions GTV. The 10 additional industrial auctions added were each of a smaller scale compared to our average auctions.

In Q3 2019, the total number of industrial lots increased 11% to 98,400 and the total number of lots including agricultural lots increased 6% to 100,000 lots. For the first nine months of 2019, total number of industrial lots increased 12% to 305,150 and the total number of lots including agricultural lots increased 9% to 326,500 lots. These increases were partially due to an increase in small value lots sold in the US.

GTV on a per lot basis generated at our industrial live on site auctions decreased 9% to \$8,300 in Q3 2019 compared to \$9,100 in Q3 2018, partially due to a higher number of small value lots sold in Canada and US, and price softening of agricultural equipment. For the first nine months of 2019, the GTV on a per lot basis generated at our industrial live on site auctions decreased 9% to \$9,500 compared to \$10,400 in the prior year for the same reasons discussed above.

### 12 months average industrial live on site auction metrics

(in U.S \$000's)	12 months ended September 30,		
	2019	2018	% Change 2019 over 2018
GTV	\$ 20.4 million	\$ 18.8 million	9 %
Bidder registrations	3,525	2,694	31 %
Consignors	300	262	15 %
Lots	2,118	1,846	15 %

For the 12 months ended September 30, 2019, we saw an increase in average GTV per industrial auction compared to the prior year periods.

## Productivity

The majority of our business continues to be generated by our A&M segment operations. Sales Force Productivity within this segment is an operational statistic that we believe provides a gauge of the effectiveness of our Revenue Producers in increasing GTV. Revenue Producers is a term used to describe our revenue-producing sales personnel. This definition is comprised of Regional Sales Managers and Territory Managers.

Our Sales Force Productivity for the trailing 12-month period ended September 30, 2019 increased 5.3% to \$11.9 million per Revenue Producer from \$11.3 million per Revenue Producer for the trailing 12-month period ended September 30, 2018.

## A&M revenue

Total A&M revenue increased 20% to \$261.3 million in Q3 2019 and increased 23% to \$895.5 million for the first nine months of 2019.

A&M revenue by geographical region are presented below:

(in U.S \$000's)	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change 2019 over 2018	2019	2018	% Change 2019 over 2018
<b>United States</b>						
Service revenue	\$ 95,172	\$ 79,791	19 %	\$ 308,769	\$ 281,113	10 %
Inventory sales revenue	48,600	23,575	106 %	204,332	75,110	172 %
A&M revenue- United States	143,772	103,366	39 %	513,101	356,223	44 %
<b>Canada</b>						
Service revenue	33,793	33,115	2 %	119,313	115,812	3 %
Inventory sales revenue	13,493	12,132	11 %	30,651	60,459	(49)%
A&M revenue- Canada	47,286	45,247	5 %	149,964	176,271	(15)%
<b>International</b>						
Service revenue	21,128	21,698	(3)%	66,498	66,151	1 %
Inventory sales revenue	49,126	48,265	2 %	165,909	126,749	31 %
A&M revenue- International	70,254	69,963	0 %	232,407	192,900	20 %
<b>Total</b>						
Service revenue	150,093	134,604	12 %	494,580	463,076	7 %
Inventory sales revenue	111,219	83,972	32 %	400,892	262,318	53 %
A&M total revenue	261,312	218,576	20 %	895,472	725,394	23 %

### United States

In Q3 2019, service revenue increased 19% primarily due to an increase in fees revenue driven by our full harmonization of buyer fees implemented in Q2 2019 and fee growth from higher GTV, including additional fees earned through the growth of our GovPlanet operations. Service revenue in the US also increased due to commissions earned from higher volumes on GTV growth, including GovPlanet, strategic accounts and alliances, partly offset by lower GTV transacted within the energy sector. Inventory sales revenue increased 106% due to the continued growth of the GovPlanet surplus contract and increased inventory contracts at the live on site auctions.

For the first nine months of 2019, service revenue increased 10% with fee growth from higher total GTV and also due to our full harmonization of buyer fees. Inventory sales revenue increased 172% primarily due to the continued growth of the GovPlanet surplus contract as it began operations in Q2 2018 and increased volume at our US live on site auctions with growth performance at our year-on-year comparative auctions.

### Canada

In Q3 2019, service revenue increased 2% primarily due to the full harmonization of buyer fees and increased guarantee commissions rate from our industrial live on site auctions. This was partially offset by lower volume due to lower demand in the overall Canadian Agriculture sector. Inventory sales revenue increased 11% primarily due to a large equipment dispersal in Q3 2019.

For the first nine months of 2019, service revenue increased 3% primarily due to an increase in fee revenue from higher GTV earned, full harmonization of buyer fees and increased proportion of small value lots. Inventory sales revenue decreased 49% primarily due to the non-repeat of a large oil and gas equipment dispersal from our Q1 2018 Grande Prairie auction of \$37 million.

## International

In Q3 2019, service revenue decreased 3% primarily due to lower volume resulting from a calendar shift of the Moerdijk, Netherlands auction to Q2 2019, and softer performance at our Dubai, UAE auction from lower demand in the region. This decrease was partially offset by higher commissions earned from increased volume at our international online marketplaces. Inventory sales revenue increased 2% primarily due to more inventory contracts in Japan and in Australia, and on our online marketplaces which was partially offset by the Moerdijk, Netherlands auction calendar shift.

For the first nine months of 2019, service revenue increased 1% due an increase in fees revenue from the full harmonization of buyer fees offset by lower commissions earned from a decrease in volume in Asia and Europe. The 31% increase in Inventory sales revenue was driven by a higher number of inventory contracts resulting from macroeconomic conditions in parts of Europe and Asia creating a more favourable supply environment. Australia also had an increased volume of inventory contracts compared to the same period prior year.

### Costs of services

A&M costs of services increased 7% to \$21.4 million in Q3 2019. The increase was primarily in line with growth in service revenue, including incremental GovPlanet operating costs.

For the first nine months of 2019, A&M cost of services increased 19% to \$74.8 million primarily due to a one-time fee paid to an unrelated third party in connection with a dispersal of the pipeline equipment at our Columbus, Ohio auction, overall cost growth in-line with the growth in service revenue, and on-going costs to support the growth of our GovPlanet operations.

### Cost of inventory sold

A&M cost of inventory sold increased 38% to \$102.4 million in Q3 2019, in line with the overall increase in inventory sales volume.

For the first nine months of 2019, A&M cost of inventory sold increased 61% to \$372.7 million, in line with the overall increase in inventory sales volume, as well as a result of the trailing effect of selling through some lower performing inventory packages acquired within our International region.

### SG&A expenses

In Q3 2019, A&M SG&A expenses increased 6% to \$88.1 million primarily due to higher year-over-year incentive compensation expenses on improved performance and to a lesser extent, on-going incremental GovPlanet costs, partially offset by the favourable impact of foreign exchange fluctuations.

For the first nine months of 2019, A&M segment SG&A expenses decreased 1% to \$268.8 million due to foreign exchange fluctuations, offset by on-going incremental costs related to GovPlanet operations.

## Other Services Segment

Results of Other Services segment operations are presented below for the comparative reporting periods.

(in U.S \$000's)	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change 2019 over 2018	2019	2018	% Change 2019 over 2018
Service revenue	\$ 28,484	\$ 26,770	6 %	\$ 90,975	\$ 88,660	3 %
Ancillary and logistical service expenses	13,285	11,682	14 %	43,516	46,242	(6)%
Other costs of services	1,666	1,312	27 %	4,404	3,613	22 %
SG&A expenses	5,553	4,781	16 %	17,803	14,549	22 %
Other services profit	\$ 7,980	\$ 8,995	(11)%	\$ 25,252	\$ 24,256	4 %

In Q3 2019, Other Services revenue increased 6% to \$28.5 million primarily due to \$1.4 million higher revenue from RBFS.

In the first nine months of 2019, Other Services revenue increased 3% to \$91.0 million primarily due to growth of RBFS revenue of \$4.2 million, offset by lower ancillary service revenue of \$2.6 million.

RBFS revenue increased 29% in Q3 2019 and 26% in the first nine months of 2019 driven by the growth in funded volume. Funded volume, which represents the amount of lending brokered by RBFS, increased 23% to \$105.5 million in Q3 2019 and increased 31% to \$404.3 million in the first nine months of 2019.

In Q3 2019, Other Services profit decreased 11% to \$8.0 million primarily due to higher cost of services driven by our Ancillary operations and SG&A expenses from RBFS. For the first nine months of 2019, Other services profit increased 4% to \$25.3 million in line with higher revenue in this segment.

## Liquidity and Capital Resources

We assess our liquidity based on our ability to generate cash to fund operating, investing and financing activities. Our liquidity is primarily affected by fluctuations in cash provided by operating activities, payment of dividends, voluntary repayments of term debt, share repurchases, our net capital spending and significant acquisitions of businesses.

Operating activities continue to be the primary source of our cash, as well as borrowings from our revolving credit facilities to fund significant acquisitions and various business 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 inventory contracts, the timing of the receipt of auction proceeds from buyers and of the payment of net amounts due to consignors, as well as the location of the auction with respect to restrictions on the use of cash generated therein.

### Cash flows

(in U.S \$000's)	Nine months ended September 30,		
	2019	2018	% Change 2019 over 2018
Cash provided by (used in):			
Operating activities	\$ 309,105	\$ 97,147	218 %
Investing activities	(20,682)	(28,807)	(28)%
Financing activities	(143,953)	(92,196)	56 %
Effect of changes in foreign currency rates	1,350	(3,215)	142 %
Net increase in cash, cash equivalents, and restricted cash	\$ 145,820	\$ (27,071)	639 %

Cash provided by operating activities increased \$212.0 million in the first nine months of 2019. This increase was primarily due to a net positive impact in our operating assets and liabilities that was driven by our reduction in inventory, net cash flow from a higher number of auctions that transacted at the end of Q3 2019, and the increase in our net income over the comparative period.

Net cash used in investing activities decreased \$8.1 million in the first nine months of 2019. This decrease was primarily due to \$6.5 million less cash spent on property, plant and equipment additions over the comparative period, as well as a \$4.7 million acquisition of Leake Auction Company in the first quarter of 2018. This was partially offset by net \$3.0 million less proceeds on the sale of assets, with \$6.1 million on the sale of an equity accounted for investment in the third quarter of 2018, offset by \$3.1 million higher proceeds on the sale of property, plant and equipment over the comparative period.

Net cash used in financing activities increased \$51.8 million in the first nine months of 2019. This increase was driven primarily by our \$42.0 million share repurchase in the second quarter of 2019. Also contributing to the increase was an \$18.0 million increase in net repayment of short-term debt, a \$14.6 million reduction in cash raised from the issuance of share capital, and a \$4.7 million increase in dividend payments over the comparative period. These were partially offset by \$30.0 million lower net voluntary term debt repayments over the comparative period.

### Dividend information

We declared and paid a regular cash dividend of \$0.18 per common share for the quarter ended September 30, 2018, December 31, 2018, and March 31, 2019. We declared and paid a regular cash dividend of \$0.20 per common share for the quarter ended June 30, 2019. We have declared, but not yet paid, a dividend of \$0.20 per common share for the quarter ended September 30, 2019. All dividends that we pay are "eligible dividends" for Canadian income tax purposes unless indicated otherwise.

Our dividend payout ratio, which we calculate as dividends paid to stockholders divided by net income attributable to stockholders, decreased to 60.5% for the 12 months ended September 30, 2019 from 60.6% for the 12 months ended September 30, 2018. This reduction is primarily due to the increase in net income attributable to stockholders over the comparative period. Our adjusted dividend payout ratio (non-GAAP measure) decreased to 60.5% for the 12 months ended September 30, 2019 from 67.3% for the 12 months ended September 30, 2018.

### 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 70 bps to 8.6% for the 12-month period ending September 30, 2019 from 7.9% for the 12-month period ending September 30, 2018. This increase is primarily due to an increase in net income attributable to stockholders over the comparative period. Return on invested capital ("ROIC") (non-GAAP measure) increased 150 bps to 8.6% during the 12 months ended September 30, 2019 compared to 7.1% for the 12 months period ending September 30, 2018. This increase was due to higher adjusted net income attributable to stockholders over the comparative period.

### Debt covenants

We were in compliance with all financial and other covenants applicable to our credit facilities at September 30, 2019.

### Share repurchase program

On May 9, 2019, we announced a share repurchase program for the repurchase of up to \$100 million worth of our common shares, approved by the Toronto Stock Exchange ("TSX"), over a period of 12 months, ending May 8, 2020.

For the first nine months of 2019, we executed the following share repurchases at a total cost of \$42.0 million.

	<b>Issuer purchases of equity securities</b>			
	<b>(a) Total number of shares purchased</b>	<b>(b) Average price paid per share</b>	<b>(c) Total number of shares purchased as part of publicly announced program</b>	<b>(d) Maximum approximate dollar value of shares that may yet be purchased under the program</b>
May 23-31, 2019	387,480	\$ 33.49	387,480	\$ 87.0 million
June 1-21, 2019	836,194	34.71	836,194	58.0 million
	<b>1,223,674</b>	<b>\$ 34.32</b>	<b>1,223,674</b>	<b>\$ 58.0 million</b>

### Off-Balance Sheet Arrangements

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

### Critical Accounting Policies, Judgments, Estimates and Assumptions

Aside from the adoption of ASU 2016-02, *Leases (Topic 842)*, noted below, there were no material changes in our critical accounting policies, judgments, estimates and assumptions from those disclosed in the following our Annual Report on Form 10-K for the year ended December 31, 2018, 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, 2019, we adopted Topic 842, which requires lessees to recognize almost all leases, including operating leases, on the balance sheet through a right-of-use asset and a corresponding lease liability. We utilized the optional transition approach, which permits us to apply the new lease standards at the adoption date.

On adoption of the new standard, we recognized a right-of-use asset relating to operating leases of \$103,897,000 with a corresponding increase in operating lease liability. Offsetting the increase in the ROU asset recognized was the reclassification of a deferred rent liability from other non-current liability to ROU asset of \$5,752,000. There was no impact on retained earnings or cash flows.

The adoption of the standard had no impact on our debt-covenant compliance under our current agreements.

## 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. Non-GAAP financial measures referred to in this report are labeled as “non-GAAP measure” or designated as such with an asterisk (\*).

### Adjusted Operating Income\* Reconciliation

Adjusting operating income\* eliminates the financial impact of adjusting items which are 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, and certain other items, which we refer to as ‘adjusting items’.

The following table reconciles adjusted operating income to operating income, which is the most directly comparable GAAP measure in our consolidated income statements.

(in U.S. \$000's)	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change 2019 over 2018	2019	2018	% Change 2019 over 2018
Operating income	\$ 40,160	\$ 31,194	29 %	\$ 151,718	\$ 128,862	18 %
Pre-tax adjusting items:						
Severance and retention	—	1,501	(100)%	—	1,501	(100)%
Adjusted operating income*	\$ 40,160	\$ 32,695	23 %	\$ 151,718	\$ 130,363	16 %

- (1) Please refer to page 44 for a summary of adjusting items during the three and nine months ended September 30, 2019 and September 30, 2018.
- (2) Adjusted operating income\* represents operating income excluding the effects of adjusting items.

### Adjusted Net Income Attributable to Stockholders\* and Diluted Adjusted EPS Attributable to Stockholders\* Reconciliation

We believe that adjusted net income attributable to stockholders\* 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. Diluted Adjusted EPS attributable to stockholders\* eliminates the financial impact of adjusting items which are after-tax effects of significant non-recurring items that we do not consider to be part of our normal operating results, such as acquisition-related costs, management reorganization costs, and certain other items, which we refer to as ‘adjusting items’.

The following table reconciles adjusted net income attributable to stockholders\* and diluted adjusted EPS attributable to stockholders\* to net income attributable to stockholders and diluted EPS attributable to stockholders, which are the most directly comparable GAAP measures in our consolidated income statements.

(in U.S. \$000's, except share and per share data)	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change 2019 over 2018	2019	2018	% Change 2019 over 2018
Net income attributable to stockholders	\$ 25,266	\$ 23,138	9 %	\$ 97,466	\$ 85,993	13 %
Pre-tax adjusting items:						
Severance and retention	—	1,501	(100)%	—	1,501	(100)%
Gain on sale of equity accounted for investment	—	(4,935)	100 %	—	(4,935)	100 %
Current income tax effect of adjusting items:						
Severance and retention	—	(376)	100 %	—	(376)	100 %
Adjusted net income attributable to stockholders*	\$ 25,266	\$ 19,328	31 %	\$ 97,466	\$ 82,183	19 %
Weighted average number of dilutive shares outstanding	109,381,173	109,887,194	0 %	109,634,195	109,133,378	0 %
Diluted earnings per share attributable to stockholders	\$ 0.23	\$ 0.21	10 %	\$ 0.89	\$ 0.79	13 %
Diluted adjusted EPS attributable to Stockholders*	\$ 0.23	\$ 0.18	28 %	\$ 0.89	\$ 0.75	19 %

- (1) Please refer to page 44 for a summary of adjusting items during the three and nine months ended September 30, 2019 and September 30, 2018.
- (2) Adjusted net income attributable to stockholders\* represents net income attributable to stockholders excluding the effects of adjusting items.
- (3) Diluted adjusted EPS attributable to stockholders\* is calculated by dividing adjusted net income attributable to stockholders\*, net of the effect of dilutive securities, by the weighted average number of dilutive shares outstanding.

### Adjusted EBITDA\*

We believe adjusted EBITDA\* provides useful information about the growth or decline of our net income when compared between different financial periods.

The following table reconciles adjusted EBITDA\* to net income, which is the most directly comparable GAAP measure in, or calculated from, our consolidated income statements:

(in U.S. \$000's)	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change 2019 over 2018	2019	2018	% Change 2019 over 2018
Net income	\$ 25,272	\$ 23,112	9 %	\$ 97,575	\$ 86,046	13 %
Add: depreciation and amortization expenses	17,692	16,723	6 %	51,919	49,451	5 %
Add: interest expense	10,090	10,473	(4)%	31,023	32,720	(5)%
Less: interest income	(517)	(780)	(34)%	(2,435)	(2,009)	21 %
Add: income tax expense	6,760	4,791	41 %	28,800	19,091	51 %
Pre-tax adjusting items:						
Severance and retention	—	1,501	(100)%	—	1,501	(100)%
Gain on sale of equity accounted for investment	—	(4,935)	100 %	—	(4,935)	100 %
Adjusted EBITDA*	\$ 59,297	\$ 50,885	17 %	\$ 206,882	\$ 181,865	14 %

- (1) Please refer to page 44 for a summary of adjusting items during the three and nine months ended September 30, 2019 and September 30, 2018.
- (2) Adjusted EBITDA\* is calculated by adding back depreciation and amortization expenses, interest expense, and income tax expense, and subtracting interest income from net income excluding the pre-tax effects of adjusting items.

### Adjusted Net Debt\* and Adjusted Net Debt/Adjusted EBITDA\* Reconciliation

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 noted under "Liquidity and Capital Resources".

The following table reconciles adjusted net debt\* to debt, adjusted EBITDA\* to net income, and adjusted net debt\*/ adjusted EBITDA\* to debt/ net income respectively, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements.

(in U.S. \$millions)	As at and for the 12 months ended September 30,		
	2019	2018	% Change 2019 over 2018
Short-term debt	\$ 5.8	\$ 10.5	(45)%
Long-term debt	689.3	751.8	(8)%
Debt	695.1	762.3	(9)%
Less: cash and cash equivalents	(309.6)	(228.8)	35 %
Adjusted net debt*	385.5	533.5	(28)%
Net income	\$ 133.0	\$ 122.9	8 %
Add: depreciation and amortization expenses	69.1	65.1	6 %
Add: interest expense	42.8	43.7	(2)%
Less: interest income	(3.3)	(2.7)	22 %
Add: income tax expense	40.7	13.2	208 %
Pre-tax adjusting items:			
Severance and retention	—	3.7	(100)%
Gain on sale of equity accounted for investment	—	(4.9)	100 %
Adjusted EBITDA*	\$ 282.3	\$ 241.0	17 %
Debt/net income	5.2x	6.2x	(16)%
Adjusted net debt*/adjusted EBITDA*	1.4x	2.2x	(36)%

- (1) Please refer to page 44 for a summary of adjusting items during the trailing 12-months ended September 30, 2019 and September 30, 2018.
- (2) Adjusted EBITDA\* is calculated by adding back depreciation and amortization expenses, interest expense, and income tax expense, and subtracting interest income from net income excluding the pre-tax effects of adjusting items.
- (3) Adjusted net debt\* is calculated by subtracting cash and cash equivalents from short and long-term debt.
- (4) Adjusted net debt\*/adjusted EBITDA\* is calculated by dividing adjusted net debt\* by adjusted EBITDA\*.

### **Operating Free Cash Flow\* (“OFCF”) Reconciliation**

We believe OFCF\*, 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 OFCF\* as a performance metric. OFCF\* is also an element of the performance criteria for certain annual short-term and long-term incentive awards.

The following table reconciles OFCF\* to cash provided by operating activities, which is the most directly comparable GAAP measure in, or calculated from, our consolidated statements of cash flows:

<b>(in U.S. \$millions)</b>	<b>12 months ended September 30,</b>		
	<b>2019</b>	<b>2018</b>	<b>% Change 2019 over 2018</b>
Cash provided by operating activities	\$ 356.2	\$ 146.2	144 %
Property, plant and equipment additions	10.4	16.1	(35)%
Intangible asset additions	25.1	27.5	(9)%
Proceeds on disposition of property plant and equipment	(13.7)	(4.0)	243 %
Net capital spending	\$ 21.8	\$ 39.6	(45)%
OFCF*	\$ 334.4	\$ 106.6	214 %

(1) OFCF\* is calculated by subtracting net capital spending from cash provided by operating activities.

### **Adjusted Net Income Attributable to Stockholders\* and Adjusted Dividend Payout Ratio\* Reconciliation**

We believe that adjusted net income attributable to stockholders\* 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. We believe that disclosing our adjusted dividend payout ratio\* for different financial periods provides useful information about how well our net income supports our dividend payments.

The following table reconciles adjusted net income attributable to stockholders\* and adjusted dividend payout ratio\* 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:

<b>(in U.S. \$millions)</b>	<b>12 months ended September 30,</b>		
	<b>2019</b>	<b>2018</b>	<b>% Change 2019 over 2018</b>
Dividends paid to stockholders	\$ 80.4	\$ 74.3	8 %
Net income attributable to stockholders	\$ 133.0	\$ 122.7	8 %
Pre-tax adjusting items:			
Severance and retention	—	3.7	(100)%
Gain on sale of equity accounted for investment	—	(4.9)	100 %
Current income tax effect of adjusting items:			
Severance and retention	—	(0.6)	100 %
Deferred income tax effect of adjusting items:			
Severance and retention	—	(0.4)	100 %
Deferred tax adjusting item:			
Remeasurement of deferred taxes	—	(10.1)	100 %
Adjusted net income attributable to stockholders*	\$ 133.0	\$ 110.4	20 %
Dividend payout ratio	60.5 %	60.6 %	(10)bps
Adjusted dividend payout ratio*	60.5 %	67.3 %	(680)bps

(1) Please refer to page 44 for a summary of adjusting items during the trailing 12-months ended September 30, 2019 and September 30, 2018.

(2) Adjusted net income attributable to stockholders\* represents net income attributable to stockholders excluding the effects of adjusting items.

(3) Adjusted dividend payout ratio\* is calculated by dividing dividends paid to stockholders by adjusted net income attributable to stockholders\*.

### **Adjusted Net Income Attributable to Stockholders\* and ROIC\* Reconciliation**

We believe that comparing ROIC on a trailing 12-month basis for different financial periods, provides useful information about the after-tax return generated by our investments.

The following table reconciles adjusted net income attributable to stockholders\* and ROIC\* to net income attributable to stockholders and return on average invested capital which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements:

<b>(in U.S. \$millions)</b>	<b>As at and for the 12 months ended September 30,</b>		
	<b>2019</b>	<b>2018</b>	<b>% Change 2019 over 2018</b>
Net income attributable to stockholders	\$ 133.0	\$ 122.7	8 %
Pre-tax adjusting items:			
Severance and retention	—	3.7	(100)%
Gain on sale of equity accounted for investment	—	(4.9)	100 %
Current income tax effect of adjusting items:			
Severance and retention	—	(0.6)	100 %
Deferred income tax effect of adjusting items:			
Severance and retention	—	(0.4)	100 %
Deferred tax adjusting item:			
Remeasurement of deferred taxes	—	(10.1)	100 %
Adjusted net income attributable to stockholders*	\$ 133.0	\$ 110.4	20 %
Opening long-term debt	\$ 751.8	\$ 817.9	(8)%
Ending long-term debt	689.3	751.8	(8)%
Average long-term debt	720.6	784.9	(8)%
Opening stockholders' equity	\$ 815.5	\$ 714.7	14 %
Ending stockholders' equity	838.2	815.5	3 %
Average stockholders' equity	826.9	765.1	8 %
Average invested capital	\$ 1,547.5	\$ 1,550.0	0 %
Return on average invested capital	8.6 %	7.9 %	70 bps
ROIC*	8.6 %	7.1 %	150 bps

- (1) Please refer to page 44 for a summary of adjusting items during the trailing 12-months ended September 30, 2019 and September 30, 2018.
- (2) Return on average invested capital is calculated as net income attributable to stockholders 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.
- (3) ROIC\* is calculated as adjusted net income attributable to stockholders\* divided by average invested capital.
- (4) The adoption of Leases (Topic 842) requires lessees to recognize almost all leases, including operating leases, on the balance sheet through a right-of-use asset and a corresponding lease liability. The lease liability is not included in the calculation of debt.

**Adjusting items during the trailing 12-months ended September 30, 2019 were:**

Recognized in the third quarter of 2019

- There were no adjustment items recognized in the third quarter of 2019.

Recognized in the second quarter of 2019

- There were no adjustment items recognized in the second quarter of 2019.

Recognized in the first quarter of 2019

- There were no adjustment items recognized in the first quarter of 2019.

Recognized in the fourth quarter of 2018

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

**Adjusting items during the trailing 12-months ended September 30, 2018 were:**

Recognized in the third quarter of 2018

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

Recognized in the second quarter of 2018

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

Recognized in the first quarter of 2018

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

Recognized in the fourth quarter of 2017

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

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

There have been no material changes to our market risk during the nine months ended September 30, 2019 from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018, which is available on our website at [www.rbauction.com](http://www.rbauction.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 interim Co-Chief Executive Officers (“CEO”) and Chief Financial Officer (“CFO”), have evaluated the effectiveness of our disclosure controls and procedures as at September 30, 2019. The term “disclosure controls and procedures” means controls and other procedures we have established that are designed to ensure that information we are required to disclose in the reports that we file or submit 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 we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our interim Co-CEOs and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Based upon their evaluation of our disclosure controls and procedures, the interim Co-CEOs and the CFO concluded that, as at September 30, 2019, the disclosure controls are effective to provide reasonable assurance that information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including the interim Co-CEOs 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.

We, including our interim Co-CEOs and CFO, do not expect that our 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 interim Co-CEOs and CFO, concluded that there were no changes in our internal control over financial reporting during the quarter ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### ITEM 1: LEGAL PROCEEDINGS

We have no material legal proceedings pending, other than ordinary routine litigation incidental to the business, and we do not know of any material proceedings contemplated by governmental authorities.

### ITEM 1A: RISK FACTORS

Our business is subject to a number of risks and uncertainties and our past performance is no guarantee of our performance in future periods. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risks and uncertainties discussed in “Part I, Item 1A: Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2018, which is available on our website at [www.rbauction.com](http://www.rbauction.com), on EDGAR at [www.sec.gov](http://www.sec.gov), or on SEDAR at [www.sedar.com](http://www.sedar.com), before purchasing our common shares. Our business could also be affected by additional risks not currently known to us or that we currently deem to be immaterial. If any of the risks actually occur, our business, financial condition and results of operations could materially suffer. As a result, the trading price of our common shares could decline and you may lose all or part of your investment.

Except as set forth below, there were no material changes in risk factors during the nine months ended September 30, 2019.

**We are currently undergoing a Chief Executive Officer transition, which could be disruptive to, or cause uncertainty in, our business.**

On June 24, 2019, the Company announced that Ravi Saligram, Chief Executive Officer, would resign effective October 1, 2019. The Board has appointed Sharon Driscoll and Karl Werner to act as interim Co-CEOs and is currently in the process of searching for Mr. Saligram’s permanent successor. Failure to appoint a CEO successor with the desired level of experience and expertise in a timely manner could have a material adverse effect on our results of operations, financial condition and the market price of our common stock.

### ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Pursuant to that certain Grant Agreement dated August 11, 2014, and as amended on May 1, 2017 and September 11, 2018, between the Company and Mr. Saligram (as more particularly described in the Company’s 2019 Proxy Statement filed on the EDGAR and SEDAR websites and posted on the Company’s website and the Company’s Current Report on Form 8-K filed on September 13, 2018), the Company granted to Mr. Saligram approximately 102,375 sign-on grant PSUs (“SOG PSUs”), which became eligible for vesting at a rate of 25% per year starting on the second anniversary of the grant date, with the actual number of units to vest to be determined based on achievement of pre-established performance criteria as set out therein. The fourth tranche of the SOG PSUs vested during the third quarter of 2019, pursuant to which Mr. Saligram was determined to be entitled to a payment, based on the Company’s absolute total shareholder return performance over the applicable period, net of applicable taxes, of \$375,164. On September 3, 2019, the Company satisfied this payment obligation by issuing to Mr. Saligram 10,444 common shares in respect of the vested SOG PSUs.

The Company did not and will not receive any proceeds from the vesting of SOG PSUs or the issuance of common shares as payment for vested SOG PSUs under the Grant Agreement. The SOG PSUs were issued for compensatory purposes.

To the extent that the vesting of SOG PSUs or issuance of common shares as payment for vested SOG PSUs under the Grant Agreement constitutes a “sale” of securities, the Company relies on the exemption under Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”). Section 4(a)(2) generally provides an exemption from registration for transactions by an issuer not involving any public offering. Mr. Saligram is the Company’s CEO and an accredited investor as defined in Rule 501 under the Securities Act. No sales involved the use of an underwriter and no commissions were paid in connection with the sale of any securities.

### ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

**ITEM 4: MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5: OTHER INFORMATION**

None.

**ITEM 6: EXHIBITS****Exhibits**

The exhibits listed in below are filed as part of this Quarterly Report on Form 10-Q and incorporated herein by reference.

<b>Exhibit Number</b>	<b>Document</b>
10.1	Employment Agreement between Ritchie Bros. Auctioneers (Canada) Ltd. and Kieran Holm, dated August 9, 2019
10.2	Employment Agreement between Ritchie Bros. Auctioneers (Canada) Ltd. and Kari Taylor, dated March 29, 2019
31.1	Certification of Co-Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended
31.2	Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended
32.1	Certification of Co-Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T , for the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, formatted in Inline XBRL: (i) Condensed Consolidated Income Statements; (ii) Condensed Consolidated Balance Sheets; (iii) Condensed Consolidated Statements of Changes in Equity; (iv) Condensed Consolidated Statements of Cash Flows; and (v) Notes to the Condensed Consolidated Financial Statements.
104	Cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, formatted in Inline XBRL and contained in Exhibit 101

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### RITCHIE BROS. AUCTIONEERS INCORPORATED

Dated: November 7, 2019

By: /s/ Sharon R. Driscoll

Sharon R. Driscoll

*Co-Chief Executive Officer and Chief Financial Officer*

Dated: November 7, 2019

By: /s/ Karl Werner

Karl Werner

*Co-Chief Executive Officer*



**EMPLOYMENT AGREEMENT**

Between:

**KIERAN HOLM**

(the “Executive”)

And:

**RITCHIE BROS. AUCTIONEERS (CANADA) LTD.,**  
a corporation incorporated under the laws of the Canada

(the “Employer”)

**WHEREAS:**

- A. The Employer is in the business of facilitating the exchange, buying, selling and auctioneering of industrial equipment; and
- B. The Employer and the Executive wish to enter into an employment relationship on the terms and conditions as described in this Agreement;

**NOW THEREFORE THIS AGREEMENT WITNESSES THAT** in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged by both parties, the Employer and the Executive agree as follows:

**1. EMPLOYMENT**

- a. The Employer agrees to employ the Executive pursuant to the terms and conditions described in this Agreement, including the appendices to this Agreement, and the Executive hereby accepts and agrees to such employment. Unless otherwise defined, the defined terms in this Agreement will have the same meaning in the appendices hereto.
- b. The Executive will be employed in the position of **President, Canada** and such other duties and responsibilities consistent with his position as may be assigned by the Employer from time to time.
- c. The Executive’s employment with the Employer will commence on **September 1, 2019** (the “**Commencement Date**”), and the Executive’s employment hereunder will continue for an indefinite period of time until terminated in accordance with the terms of this Agreement or applicable law (the “**Term**”).
- d. During the Term, the Executive will at all times:

- i. well and faithfully serve the Employer, and act honestly and in good faith in the best interests of the Employer;
- ii. devote all of the Executive's business time, attention and abilities, and provide his best efforts, expertise, skills and talents, to the business of the Employer, except as provided in Section 2(b);
- iii. adhere to all generally applicable written policies of the Employer, and obey and observe to the best of the Executive's abilities all lawful orders and directives, whether verbal or written, of the Board;
- iv. act lawfully and professionally, and exercise the degree of care, diligence and skill that an executive employee would exercise in comparable circumstances; and
- v. to the best of the Executive's abilities perform the duties and exercise the responsibilities required of the Executive under this Agreement.

## **2. PRIOR COMMITMENTS AND OUTSIDE ACTIVITIES**

- a. The Executive represents and warrants to the Employer that the Executive has no existing common law, contractual or statutory obligations to his former employer or to any other person that will conflict with the Executive's duties and responsibilities under this Agreement.
- b. During the term of this Agreement, the Executive will not be engaged directly or indirectly in any outside business activities, whether for profit or not-for-profit, as principal, partner, director, officer, active shareholder, advisor, employee or otherwise, without first having obtained the written permission of the Employer. Subject to any conflict and the needs of the Employer, the Employer consents to a maximum of one public and one private board appointment.

## **3. POLICIES**

- a. The Executive agrees to comply with all generally applicable written policies applying to the Employer's staff that may reasonably be issued by the Employer from time to time. The Executive agrees that the introduction, amendment and administration of such generally applicable written policies are within the sole discretion of the Employer. If the Employer introduces, amends or deletes such generally applicable written policies, such introduction, deletion or amendment will not constitute a constructive dismissal or breach of this Agreement. If there is a direct conflict between this Agreement and any such policy, this Agreement will prevail to the extent of the inconsistency.

#### 4. COMPENSATION

- a. Upon the Commencement Date, and continuing during the Term, the Executive will earn the following annual compensation, less applicable statutory and regular payroll deductions and withholdings:

Compensation Element	\$CDN
Annual Base Salary	\$425,000 (the “Base Salary”)
Annual Short-Term Incentive	60% of Base Salary at Target (the “STI Bonus”) (0% - 200% of Base Salary based on actual performance)
Annual Long-Term Incentive Grant	Those eligible to participate in the Employer’s long-term incentive plan (LTI Plan) may be entitled to receive an equity award subject to the terms set forth in the relevant shareholder-approved equity plan. Grants under the LTI Plan are made at the complete discretion and subject to the approval of the Compensation Committee and are based on the recommendation of the senior management or the CEO of the Company.

- b. The structure of the STI Bonus and LTI Grant will be consistent with those granted to the Employer’s other executives, and is subject to amendment from time to time by the Employer. Currently, LTI grants for executives are provided as follows:
- i. 50% in stock options, with a ten-year term, vesting in equal one-third parts after the first, second and third anniversaries of the grant date;
  - ii. 50% in performance share units, vesting on the third anniversary of the grant date based on meeting pre-established performance criteria, with the number of share units that ultimately vest ranging from 0% to 200% of target based on actual performance.
- c. The specific terms and conditions for the LTI Grant (including but not limited to the provisions upon termination of employment) will be based on the relevant plan documents and

#### 5. BENEFITS

- a. The Executive will be eligible to participate in the Employer’s Canadian group benefit plans, subject to the terms and conditions of said plans and the applicable policies of the Employer and applicable benefits providers.
- b. The liability of the Employer with respect to the Executive’s employment benefits is limited to the premiums or portions of the premiums the Employer regularly pays on behalf of the Executive in connection with said employee benefits. The Executive agrees that the Employer is not, and will not be deemed to be, the insurer and, for greater certainty, the Employer will not be liable for any decision of a third-party benefits provider or insurer, including any decision to deny coverage or any other decision that affects the Executive’s benefits or insurance.

- c. The Executive shall be entitled to reimbursement of relocation expenses in accordance with the terms of the Employer's standard relocation policy for executives.
- d. The Executive will be provided monthly "Transition Allowance" payments for 2020 and 2021 to acknowledge the tax impact of returning to a home country assignment in Canada. These Transition payments will be as follows and will terminate at the end of 2021 or at the end of this assignment, whichever comes first:
  - i. Payments in 2020 extra \$13,570 (CDN) per month (\$162,840 CDN annual)
  - ii. For 2021 extra \$6,785 (CDN) per month (\$81,420 CDN annual)
- e. The Employer will reimburse the Executive for up to \$CDN10,000 for the 2019 Tax year, and up to \$CDN 5,000 for the 2020 Tax year for expenses related to professional advice concerning tax planning, tax filing and compliance.
- f. The Executive will be provided with a car allowance of \$CDN 2,000 monthly, in accordance with the Employer's car allowance program as grandfathered at this time.

## **6. EXPENSES**

- a. The Employer will reimburse the Executive, in accordance with the Employer's policies, for all authorized travel and other out-of-pocket expenses actually and properly incurred by the Executive in the course of carrying out the Executive's duties and responsibilities under this Agreement.

## **7. HOURS OF WORK AND OVERTIME**

- a. Given the management nature of the Executive's position, the Executive is required to work additional hours from time to time, and is not eligible for overtime pay. The Executive acknowledges and agrees that the compensation provided under this Agreement represents full compensation for all of the Executive's working hours and services, including overtime.

## **8. VACATION**

- a. The Executive will earn, as work is performed and for use within twelve (12) months from the time it is earned, up to four (4) weeks (or twenty (20) business days) of paid vacation per annum, pro-rated for any partial year of employment, based on a calendar year method of accrual.
- b. The Executive will take his vacation subject to business needs, and in accordance with the Employer's vacation policy in effect from time to time.

## **9. TERMINATION OF EMPLOYMENT**

- a. Termination for cause: The Employer may terminate the Executive's employment at any time for Cause, after providing Executive with at least 30 days' notice of such proposed termination and 15 days to remedy the alleged defect. In this Agreement, "Cause" means the wilful and continued failure by the Executive to substantially perform, or otherwise properly carry out, the Executive's duties on behalf of RBA Pubco or an affiliate, or to follow, in any material respect, the lawful policies, procedures, instructions or directions of the Employer or any applicable affiliate (other than any such failure resulting from the Executive's disability or incapacity due to physical or mental illness), or the Executive wilfully or intentionally

engaging in illegal or fraudulent conduct, financial impropriety, intentional dishonesty, breach of duty of loyalty or any similar intentional act which is materially injurious RBA Pubco or an affiliate, or which may have the effect of materially injuring the reputation, business or business relationships of the Employer or an affiliate, or any other act or omission constituting cause for termination of employment without notice or pay in lieu of notice at common law. For the purposes of this definition, no act, or failure to act, on the part of an Executive shall be considered “wilful” unless done, or omitted to be done, by the Executive in bad faith and without reasonable belief that the Executive’s action or omissions were in, or not opposed to, the best interests of the Employer and its affiliates. .

In the event of termination for Cause, the rights of the Executive with respect to any performance share units (“PSUs”) or stock options granted pursuant to the Employer’s Performance Share Unit Plan (the “PSU Plan”) and stock option plan (the “Option Plan”), respectively, and pursuant to any and all PSU and stock option grant agreements, will be governed pursuant to the terms of the PSU Plan, Option Plan and respective grant agreements for such PSUs and stock options.

- b. Termination without Cause: The Employer may terminate the Executive’s employment at any time, without Cause by providing the Executive with the following:
- (1) Twelve (12) months’ Base Salary plus twelve (12) months’ at-target STI Bonus
  - (2) continuation of all applicable PSU held by the Executive in accordance with the applicable PSU grant agreements, and the terms and conditions of the PSU Plan;
  - (3) immediate accelerated vesting of all unvested stock options, with the Executive having 90 days from the date of termination to exercise such options, subject to the terms and conditions of the Option Plan and the applicable individual option agreements; and
  - (4) continued extended health and dental benefits coverage at active employee rates until the earlier of the first anniversary of the termination of the Executive’s employment or the date on which the Executive begins new full-time employment, or paying for such period of time the Employer’s share of the costs of such benefits.

In the event of termination without Cause, the rights of the Executive with respect to any PSUs or stock options granted pursuant to the PSU Plan and Option Plan, respectively, and pursuant to any and all PSU and stock option grant agreements, will be governed pursuant to the terms of the PSU Plan, Option Plan and respective grant agreements for such PSUs and stock options.

- c. Resignation: The Executive may terminate his employment with the Employer at any time by providing the Employer with two (2) months’ notice in writing to that effect. If the Executive provides the Employer with written notice under this Section, the Employer may waive such notice, in whole or in part, in which case the Employer will pay the Executive the Base Salary only for the amount of time remaining in that notice period and the Executive’s employment will terminate on the earlier date specified by the Employer without any further compensation.

In the event of resignation, the rights of the Executive with respect to any PSUs or stock options granted pursuant to the PSU Plan and Option Plan, respectively, and pursuant to any

and all PSU and stock option grant agreements, will be governed pursuant to the terms of the PSU Plan, Option Plan and respective grant agreements for such PSUs and stock options.

- d. Retirement: In the event of the Executive's retirement, as defined by the Employer's policies, the rights of the Executive with respect to any PSUs or stock options granted pursuant to the PSU Plan and Option Plan, respectively, and pursuant to any and all PSU and stock option grant agreements, will be governed pursuant to the terms of the PSU Plan, Option Plan and respective grant agreements for such PSUs and stock options.
- e. Deductions and withholdings: All payments under this Section are subject to applicable statutory and regular payroll deductions and withholdings in the US as applicable.
- f. Terms of Payment upon Termination: Upon termination of the Executive's employment, for any reason:
  - i. Subject to Section 9 c. and except as limited by Section 9 f. (ii), the Employer will pay the Executive all earned and unpaid Base Salary, earned and unpaid vacation pay, and a prorated STI Bonus, up to and including the Executive's last day of active employment with the Employer (the "**Termination Date**"), with such payment to be made within five (5) business days of the Termination Date.
  - ii. In the event of resignation by the Executive or termination of the Executive's employment for Cause, no STI Bonus will be payable to the Executive; and
  - iii. On the Termination Date, the Executive will immediately deliver to the Employer all files, computer disks, Confidential Information, information and documents pertaining to the Employer's Business, and all other property of the Employer that is in the Executive's possession or control, without making or retaining any copy, duplication or reproduction of such files, computer disks, Confidential Information, information or documents without the Employer's express written consent.
- g. Other than as expressly provided herein, the Executive will not be entitled to receive any further pay or compensation, severance pay, notice, payment in lieu of notice, incentives, bonuses, benefits, rights and damages of any kind. The Executive acknowledges and agrees that, in the event of a payment under Section 9b. or Section 9 c. of this Agreement, the Executive will not be entitled to any other payment in connection with the termination of the Executive's employment.
- h. Notwithstanding the foregoing, in the event of a termination without Cause, the Employer will not be required to pay any Base Salary or STI Bonus to the Executive beyond that earned by the Executive up to and including the Termination Date, unless the Executive signs within sixty (60) days of the Termination Date and does not revoke a full and general release (the "**Release**") of any and all claims that the Executive has against the Employer or its affiliates and such entities' past and then current officers, directors, owners, managers, members, agents and employees relating to all matters, in form and substance satisfactory to the Employer, provided, however, that the payment shall not occur prior to the effective date of the Release, provided further that if the maximum period during which Executive can consider and revoke the release begins in one calendar year and ends in another calendar year, then such payment shall not be made until the first payroll date occurring after the later of (A) the last day of the calendar year in which such period begins, and (B) the date on which the Release becomes effective.

- i. Notwithstanding any changes in the terms and conditions of the Executive's employment which may occur in the future, including any changes in position, duties or compensation, the termination provisions in this Agreement will continue to be in effect for the duration of the Executive employment with the Employer unless otherwise amended in writing and signed by the Employer.
- j. Agreement authorizing payroll deductions: If, on the date the employment relationship ends, regardless of the reason, the Executive owes the Employer any money (whether pursuant to an advance, overpayment, debt, error in payment, or any other reason), the Executive hereby authorizes the Employer to deduct any such debt amount from the Executive's salary, severance or any other payment due to the Executive. Any remaining debt will be immediately payable to the Employer and the Executive agrees to satisfy such debt within 14 days of the Termination Date or any demand for repayment.

## **10. SHARE OWNERSHIP REQUIREMENTS**

- a. The Executive will be subject to the Employer's share ownership guideline policy, as amended from time to time.

## **11. CONFIDENTIAL INFORMATION**

- a. In this Agreement "Confidential Information" means information proprietary to the Employer that is not publically known or available, including but not limited to personnel information, customer information, supplier information, contractor information, pricing information, financial information, marketing information, business opportunities, technology, research and development, manufacturing and information relating to intellectual property, owned, licensed, or used by the Employer or in which the Employer otherwise has an interest, and includes Confidential Information created by the Executive in the course of his employment, jointly or alone. The Executive acknowledges that the Confidential Information is the exclusive property of the Employer.
- b. The Executive agrees at all times during the Term and after the Term, to hold the Confidential Information in strictest confidence and not to disclose it to any person or entity without written authorization from the Employer and the Executive agrees not to copy or remove it from the Employer's premises except in pursuit of the Employer's business, or to use or attempt to use it for any purpose other than the performance of the Executive's duties on behalf of the Employer.
- c. The Executive agrees, at all times during and after the Term, not use or take advantage of the Confidential Information for creating, maintaining or marketing, or aiding in the creation, maintenance, marketing or selling, of any products and/or services which are competitive with the products and services of the Employer.
- d. Upon the request of the Employer, and in any event upon the termination of the Executive's employment with the Employer, the Executive will immediately return to the Employer all materials, including all copies in whatever form containing the Confidential Information which are within the Executive's possession or control.

## **12. INVENTIONS**

- a. In this Agreement, "Invention" means any invention, improvement, method, process, advertisement, concept, system, apparatus, design or computer program or software, system or database.
- b. The Executive acknowledges and agrees that every Invention which the Executive may, at any time during the terms of his employment with the Employer or its affiliates, make, devise or conceive, individually or jointly with others, whether during the Employer's business hours or otherwise, and which relates in any manner to the Employer's business will belong to, and be the exclusive property of the Employer, and the Executive will make full and prompt disclosure to the Employer of every such Invention. The Executive hereby irrevocably waives all moral rights that the Executive may have in every such Invention.
- c. The Executive undertakes to, and hereby does, assign to the Employer, or its nominee, every such Invention and to execute all assignments or other instruments and to do any other things necessary and proper to confirm the Employer's right and title in and to every such Invention. The Executive further undertakes to perform all proper acts within his power necessary or desired by the Employer to obtain letters patent in the name of the Employer and at the Employer's expense for every such Invention in whatever countries the Employer may desire, without payment by the Employer to the Executive of any royalty, license fee, price or additional compensation.
- d. The Executive acknowledges that all original works of authorship which are made by the Executive (solely or jointly with others) within the scope of the Executive's employment and which are protectable by copyright are "works made for hire," pursuant to United States Copyright Act (17 U.S.C., Section 101).

### **13. NON-SOLICITATION**

- a. The Executive acknowledges that in the course of the Executive's employment with the Employer the Executive will develop close relationships with the Employer's clients, customers and employees, and that the Employer's goodwill depends on the development and maintenance of such relationships. The Executive acknowledges that the preservation of the Employer's goodwill and the protection of its relationships with its customers and employees are proprietary rights that the Employer is entitled to protect.
- b. The Executive will not during the Applicable Period, whether individually or in partnership or jointly or in conjunction with any person or persons, as principal, agent, shareholder, director, officer, employee or in any other manner whatsoever:
  - i. solicit any client or customer of the Employer with whom the Executive dealt during the twelve (12) months immediately prior to the termination of the Executive's employment with the Employer (however caused) for the purposes of (a) causing or trying to cause such client or customer to cease doing business with the Employer or to reduce such business with the Employer by diverting it elsewhere or (b) providing products or services that are the same as or competitive with the business of the Employer in the area of facilitating the exchange of industrial equipment, provided, for greater clarity, that such limitation shall not restrict the Executive from the general exchange of industrial equipment as part of the normal business operations of a future employer where such employer is not engaged in the exchange of industrial equipment by way of auctions or online equipment exchange platforms similar to those operated by the Employer; or

- ii. seek in any way to solicit, engage, persuade or entice, or attempt to solicit, engage, persuade or entice any employee of the Employer, to leave his or her employment with the Employer,

The “**Applicable Period**” means a period of twelve (12) months following termination, regardless of the reason for such termination or the party effecting it.

**14. NON-COMPETITION**

- a. The Executive agrees that, without the prior written consent of the Employer, the Executive will not, directly or indirectly, in a capacity similar to that of the Executive with the Employer, carry on, be engaged in, be concerned with or interested in, perform services for, or be employed in a business which is the same as or competitive with the business of the Employer in the area of facilitating the exchange of industrial equipment, or in the area of the buying, selling or auctioning of industrial equipment, either individually or in partnership or jointly or in conjunction with any person as principal, agent, employee, officer or shareholder. The foregoing restriction will be in effect for a period of twelve (12) months following the termination of the Executive’s employment, regardless of the reason for such termination or the party effecting it, within the geographical area of Canada and the United States.

**15. REMEDIES FOR BREACH OF RESTRICTIVE COVENANTS**

- a. The Executive acknowledges that the restrictions contained in Sections 9 f. iii., 11, 12, 13, and 14 of this Agreement are, in view of the nature of the Employer’s business, reasonable and necessary in order to protect the legitimate interests of the Employer and that any violation of those Sections would result in irreparable injuries and harm to the Employer, and that damages alone would be an inadequate remedy.
- b. The Executive hereby agrees that the Employer will be entitled to the remedies of injunction, specific performance and other equitable relief to prevent a breach or recurrence of a breach of this Agreement and that the Employer will be entitled to its reasonable legal costs and expenses, including but not limited to its attorneys’ fees, incurred in properly enforcing a provision of this Agreement.
- c. Nothing contained herein will be construed as a waiver of any of the rights that the Employer may have for damages or otherwise.
- d. The Executive and the Employer expressly agree that the provisions of Sections 9 f. iii., 11, 12, 13, 14, and 21 of this Agreement will survive the termination of the Executive’s employment for any reason.

**16. GOVERNING LAW**

- a. This Agreement will be governed by the laws of the Province of British Columbia.

**17. SEVERABILITY**

- a. All sections, paragraphs and covenants contained in this Agreement are severable, and in the event that any of them will be held to be invalid, unenforceable or void by a court of a competent jurisdiction, such sections, paragraphs or covenants will be severed and the remainder of this Agreement will remain in full force and effect.

**18. ENTIRE AGREEMENT**

- a. This Agreement, including the Appendices, and any other documents referenced herein, contains the complete agreement concerning the Executive's employment by the Employer and will, as of the date it is executed, supersede any and all other employment agreements between the parties.
- b. The parties agree that there are no other contracts or agreements between them, and that neither of them has made any representations, including but not limited to negligent misrepresentations, to the other except such representations as are specifically set forth in this Agreement, and that any statements or representations that may previously have been made by either of them to the other have not been relied on in connection with the execution of this Agreement and are of no effect.
- c. No waiver, amendment or modification of this Agreement or any covenant, condition or restriction herein contained will be valid unless executed in writing by the party to be charged therewith, with the exception of those modifications expressly permitted within this Agreement. Should the parties agree to waive, amend or modify any provision of this Agreement, such waiver, amendment or modification will not affect the enforceability of any other provision of this Agreement. Notwithstanding the foregoing, the Employer may unilaterally amend the provisions of Section 10 c. relating to provision of certain health benefits following termination of employment to the extent the Employer deems necessary to avoid the imposition of excise taxes, penalties or similar charges on the Employer or any of its Affiliates, including, without limitation, under Section 4980D of the U.S. Internal Revenue Code.

## **19. CONSIDERATION**

- a. The parties acknowledge and agree that this Agreement has been executed by each of them in consideration of the mutual premises and covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged. The parties hereby waive any and all defenses relating to an alleged failure or lack of consideration in connection with this Agreement.

## **20. INTERPRETATION**

- a. Headings are included in this Agreement for convenience of reference only and do not form part of this Agreement.

## **21. DISPUTE RESOLUTION**

In the event of a dispute arising out of or in connection with this Agreement, or in respect of any legal relationship associated with it or from it, which does not involve the Employer seeking a court injunction or other injunctive or equitable relief to protect its business, confidential information or intellectual property, that dispute will be resolved in strict confidence as follows:

- a. Amicable Negotiation – The parties agree that, both during and after the performance of their responsibilities under this Agreement, each of them will make *bona fide* efforts to resolve any disputes arising between them via amicable negotiations;
- b. Arbitration – If the parties have been unable to resolve a dispute for more than 90 days, or such other period agreed to in writing by the parties, either party may refer the dispute for final and binding arbitration by providing written notice to the other party. If the parties cannot agree on an arbitrator within thirty (30) days of receipt of the notice to arbitrate, then

either party may make application to the British Columbia Arbitration and Mediation Society to appoint one. The arbitration will be held in Vancouver, British Columbia, in accordance with the BCICAC's Shorter Rules for Domestic Commercial Arbitration, and each party will bear its own costs, including one-half share of the arbitrator's fees.

**22. ENUREMENT**

- a. The provisions of this Agreement will enure to the benefit of and be binding upon the parties, their heirs, executors, personal legal representatives and permitted assigns, and related companies.
- b. This Agreement may be assigned by the Employer in its discretion, in which case the assignee shall become the Employer for purposes of this Agreement. This Agreement will not be assigned by the Executive.

**Dated** this 9th day of August, 2019

**Signed, Sealed and Delivered by** )  
**Kieran Holm** in the )  
presence of: )  
 )  
\_\_\_\_\_  
Jordan Holm )  
Name )  
 )  
#602 - 1 Old Mill Drive )  
 )  
Toronto, ON, M6S 0A1 )  
Address )  
 )  
\_\_\_\_\_  
 )  
 )  
\_\_\_\_\_  
 )  
President, Boston Pizza )  
Occupation )

\_\_\_\_\_  
/s/ Kieran Holm  
**KIERAN HOLM**

**RITCHIE BROS. AUCTIONEERS (CANADA) LTD.**

Per: /s/ Todd Wohler  
Authorized Signatory

EMPLOYMENT AGREEMENT

Between:

**KARI TAYLOR**

(the “Executive”)

And:

**RITCHIE BROS. AUCTIONEERS (AMERICA) INC.,**  
a corporation incorporated under the laws of Washington

(the “Employer”)

**WHEREAS:**

- A. The Employer, its parent, and the other subsidiaries is in the business of facilitating the exchange, buying, selling and auctioneering of industrial equipment; and
- B. The Employer and the Executive wish to enter into an employment relationship on the terms and conditions as described in this Agreement;

**NOW THEREFORE THIS AGREEMENT WITNESSES THAT** in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged by both parties, the Employer and the Executive agree as follows:

**1. EMPLOYMENT**

- a. The Employer agrees to employ the Executive pursuant to the terms and conditions described in this Agreement, including the appendices to this Agreement, and the Executive hereby accepts and agrees to such employment.
- b. The Executive will be employed in the position of **Chief Sales Officer, US Regions** and shall perform and assume such duties and responsibilities as may be assigned by the Employer from time to time. The position will be based in Chicago, IL but Executive may work out of current home location for up to 1 year prior to relocating to Chicago.
- c. The Executive’s employment with the Employer in this new role will commence on June 17, 2019 (the “**Commencement Date**”), and the Executive’s employment hereunder will continue for an indefinite period of time until terminated in accordance with the terms of this Agreement or applicable law (the “**Term**”).
- d. During the Term, the Executive will at all times:
  - i. well and faithfully serve the Employer, and act honestly and in good faith in the best interests of the Employer;
  - ii. devote all of the Executive’s business time, attention and abilities, and provide her best efforts, expertise, skills and talents, to the business of the Employer, except as provided in Section 2(b);

- iii. adhere to all generally applicable written policies of the Employer, and obey and observe to the best of the Executive’s abilities all lawful orders and directives, whether verbal or written, of the Board;
- iv. act lawfully and professionally, and exercise the degree of care, diligence and skill that an executive employee would exercise in comparable circumstances; and
- v. to the best of the Executive’s abilities perform the duties and exercise the responsibilities required of the Executive under this Agreement.

**2. PRIOR COMMITMENTS AND OUTSIDE ACTIVITIES**

- a. The Executive represents and warrants to the Employer that the Executive has no existing common law, contractual or statutory obligations to her former employer or to any other person that will conflict with the Executive’s duties and responsibilities under this Agreement.
- b. During the term of this Agreement, the Executive will not be engaged directly or indirectly in any outside business activities, whether for profit or not-for-profit, as principal, partner, director, officer, active shareholder, advisor, employee or otherwise, without first having obtained the written permission of the Employer.

**3. POLICIES**

- a. The Executive agrees to comply with all generally applicable written policies applying to the Employer’s staff that may reasonably be issued by the Employer from time to time. The Executive agrees that the introduction, amendment and administration of such generally applicable written policies are within the sole discretion of the Employer. If the Employer introduces, amends or deletes such generally applicable written policies, such introduction, deletion or amendment will not constitute a constructive dismissal or breach of this Agreement. If there is a direct conflict between this Agreement and any such policy, this Agreement will prevail to the extent of the inconsistency.

**4. COMPENSATION**

- a. Upon the Commencement Date, and continuing during the Term, the Executive will earn the following annual compensation, less applicable statutory and regular payroll deductions and withholdings:

<b>Compensation Element</b>	<b>\$US</b>
Annual Base Salary	<b>\$365,000</b> (the “ <b>Base Salary</b> ”)
Annual Short-Term Incentive	<b>60% of Base Salary at Target</b> (the “ <b>STI Bonus</b> ”) (0% - 200% of STI Bonus at Target, based on actual performance)
Annual Long-Term Incentive Grant	<b>Targeted at 100% of Base Salary</b> (the “ <b>LTI Grant</b> ”)

The Employer shall review the Executive's compensation package for increase no less frequently than annually.

- b. The structure of the STI Bonus and LTI Grant will be consistent with those granted to the RBA Pubco's other executives, and is subject to amendments from time to time by the Employer. Currently, LTI grants for executives are provided as follows:
  - i. 50% in stock options, with a ten-year term, with all such options vesting in equal one-third parts after the first, second and third anniversaries of the grant date;
  - ii. 50% in performance share units, vesting on the third anniversary of the grant date based on meeting pre-established performance criteria (currently based on ROIC, Earnings Growth and Operating Free Cash Flow per Share targets), with the number of share units that ultimately vest ranging from 0% to 200% of target based on actual performance.
- c. The executive will be eligible for a full year (not pro-rated) STI bonus in respect of 2019 and will receive a guaranteed minimum payout of \$ 109,500 if employee commences work before June 30, 2019.
- d. The executive will be eligible for a full year (not pro-rated) LTI grant in respect of 2019 as described in section 4 b if employee commences work before June 30, 2019; the equity grant is contingent on Compensation Committee approval. The specific terms and conditions for LTI Grants (including but not limited to the provisions upon termination of employment) will be based on the relevant plan documents and may be subject to amendments from time to time by RBA Pubco.
- e. The executive will be eligible for USD\$365,000 equity Sign-on grant ("SOG") payable: (i) \$182,500 economic value in the form of stock options, with the number of options being calculated as of the grant date using the Black-Scholes option pricing model, and (ii) \$182,500 economic value in the form of restricted share units ("RSUs") granted pursuant to RBA Pubco's Restricted Share Unit Plan (the "RSU Plan"), with the actual number of RSUs being calculated by reference to the volume weighted average trading price of the common shares of RBA Pubco as set forth in the RSU Plan. The RSUs will cliff vest on the third anniversary of the grant date and the stock options will vest according to the description in section 4bi. The SOG grant shall be subject to compensation committee approval in accordance with the Employer's normal compensation governance policies. It is anticipated that the SOG would be granted in March 2020, subject to any applicable blackout periods pertaining to trading in common shares of the Employer by "insiders".
- f. Notwithstanding any other provisions in this Agreement to the contrary, the Executive will be subject to any clawback/recoupment policy of the Employer in effect from time-to-time, allowing the recovery of incentive compensation previously paid or payable to the Executive in cases of misconduct or material financial restatement, whether pursuant to the requirements of Dodd-Frank Wall Street Reform and the *Consumer Protection Act*, the listing requirements of any national securities exchange on which common stock of RBA Pubco is listed, or otherwise.
- g. In the event of a restatement of the financial results of Ritchie Bros. Auctioneers Incorporated ("RBA Pubco") (other than due to a change in applicable accounting rules or interpretations),

the Board of Directors of RBA Pubco (the “Board”) shall determine whether any performance-based compensation (pursuant to both short-term and long-term incentive compensation plans) paid or awarded to the Executive during the three years preceding such restatement (the “Awarded Compensation”), would have been a lower amount had it been calculated based on such restated financial statement (such lower amount being referred to herein as the “Adjusted Compensation”). If the Board determines that the Awarded Compensation exceeds the Adjusted Compensation, then the Board may demand from the Executive the recovery of any excess of the Awarded Compensation over the Adjusted Compensation, and the Executive shall immediately forfeit and/or repay, as applicable, any such amount.

## **5. BENEFITS**

- a. The Executive will be eligible to participate in the Employer’s U.S. group benefit plans, subject to the terms and conditions of said plans and the applicable policies of the Employer and applicable benefits providers.
- b. The liability of the Employer with respect to the Executive’s employment benefits is limited to the premiums or portions of the premiums the Employer regularly pays on behalf of the Executive in connection with said employee benefits. The Executive agrees that the Employer is not, and will not be deemed to be, the insurer and, for greater certainty, the Executive will not be liable for any decision of a third-party benefits provider or insurer, including any decision to deny coverage or any other decision that affects the Executive’s benefits or insurance.
- c. The Executive shall be entitled to reimbursement of relocation expenses in accordance with the terms of the Employer’s standard relocation policy for executives. With the following key elements:
  - i. Movement of household goods and up 2 cars which may be executed in 2 phases but the final phase no later than July 2021
  - ii. Up to 1 month of temporary living expenses reimbursed plus 1 months’ salary (\$30,417) relocation allowance payable upon initiation of phase 1 (expected mid 2020).
  - iii. Support for home sale (real estate fees on home sale) of principle resident as well as home purchase (legal and appraisal fees) of principle residence in Chicago area.

## **6. EXPENSES**

- a. The Employer will reimburse the Executive, in accordance with the Employer’s policies, for all authorized travel and other out-of-pocket expenses actually and properly incurred by the Executive in the course of carrying out the Executive’s duties and responsibilities under this Agreement.

## **7. HOURS OF WORK AND OVERTIME**

- a. Given the management nature of the Executive’s position, the Executive is required to work additional hours from time to time, and is not eligible for overtime pay. The Executive acknowledges and agrees that the compensation provided under this Agreement represents full compensation for all of the Executive’s working hours and services, including overtime.

## 8. PAID TIME OFF (PTO)

- a. The Executive will earn up to four (5) weeks (or twenty-five (25) business days) of paid time off (PTO) per annum, pro-rated for any partial year of employment.
- b. The Executive will take her PTO subject to business needs, and in accordance with the Employer's PTO policy in effect from time to time.
- c. Annual PTO must be taken and may not be accrued, deferred or banked without the Employer's written approval.

## 9. TERMINATION OF EMPLOYMENT

- a. Termination for cause: The Employer may terminate the Executive's employment at any time for Cause, after providing Executive with at least 30 days' notice of such proposed termination and 15 days to remedy the alleged defect. In this Agreement, "Cause" means the wilful and continued failure by the Executive to substantially perform, or otherwise properly carry out, the Executive's duties on behalf of RBA Pubco or an affiliate, or to follow, in any material respect, the lawful policies, procedures, instructions or directions of the Employer or any applicable affiliate (other than any such failure resulting from the Executive's disability or incapacity due to physical or mental illness), or the Executive wilfully or intentionally engaging in illegal or fraudulent conduct, financial impropriety, intentional dishonesty, breach of duty of loyalty or any similar intentional act which is materially injurious RBA Pubco or an affiliate, or which may have the effect of materially injuring the reputation, business or business relationships of the Employer or an affiliate, or any other act or omission constituting cause for termination of employment without notice or pay in lieu of notice at common law. For the purposes of this definition, no act, or failure to act, on the part of an Executive shall be considered "wilful" unless done, or omitted to be done, by the Executive in bad faith and without reasonable belief that the Executive's action or omissions were in, or not opposed to, the best interests of the Employer and its affiliates.

In the event of termination for Cause, all unvested stock options granted to the Executive pursuant to the terms of the RBA Pubco's Stock Option Plan (the "Option Plan") will immediately be void on the date the Employer notifies the Executive of such termination. The Executive will have 30 days from the date of termination to exercise any options which have vested prior to the date of termination, subject to the terms and conditions of the Option Plan and the applicable individual option agreements.

In the event of termination for Cause, the rights of the Executive with respect to any performance share units ("PSUs") granted pursuant to the RBA Pubco's Performance Share Unit Plan (the "PSU Plan"), or RSUs granted under the RSU Plan, will be governed pursuant to the PSU Plan.

- b. Termination without Cause: The Employer may terminate the Executive's employment at any time, without Cause by providing the Executive with the following:
  - i. Minimum of six (6) months' Base Salary and STI Bonus at Target, then one (1) months' Base Salary and STI Bonus at Target per year of service up to a maximum of (12) months' Base Salary and STI Bonus at Target;

- ii. continuation of all applicable PSU and RSU rights held by the Executive in accordance with the PSU and RSU grant agreements, and the terms and conditions of the PSU Plan and RSU Plan respectively;
  - iii. immediate accelerated vesting of all unvested stock options, with the Executive having 90 days from the date of termination to exercise such options, subject to the terms and conditions of the Option Plan and the applicable individual option agreements; and
  - iv. continued extended health and dental benefits coverage at active employee rates until the earlier of the first anniversary of the termination of the Executive's employment or the date on which the Executive begins new full-time employment, or paying for such period of time the Employer's share of the costs of such benefits.
- c. Resignation: The Executive may terminate her employment with the Employer at any time by providing the Employer with three (3) months' notice in writing to that effect. If the Executive provides the Employer with written notice under this Section, the Employer may waive such notice, in whole or in part, in which case the Employer will pay the Executive the Base Salary only for the amount of time remaining in that notice period and the Executive's employment will terminate on the earlier date specified by the Employer without any further compensation.

In the event of termination by the Executive as provided in this section, all unvested stock options held by the Executive will immediately be void on the termination date of the Executive's employment, with the Executive having 90 days from said date to exercise any vested stock options held by the Executive. The rights of the Executive with respect to any PSUs and RSUs will be as set forth in the PSU Plan and RSU Plan with respect to termination by the Executive.

- d. Retirement: In the event of the Executive's retirement, as defined by the Employer's policies, all unvested stock options will continue to vest according to their initial grant schedules and will remain exercisable up to the earlier of the original grant expiry date and the third anniversary of the date of retirement; provided, however, that for purposes of any award subject to Section 409A (as defined below), any termination (other than a termination for cause) after Executive's attainment of retirement age shall be governed by the retirement provisions of such award.

PSUs and RSUs will continue to vest and be paid in accordance with the original grant schedule applicable thereto.

- e. Deductions and withholdings: All payments under this Section are subject to applicable statutory and regular payroll deductions and withholdings as applicable.
- f. Terms of Payment upon Termination: Upon termination of the Executive's employment, for any reason:
- i. Subject to Section 9 d. and except as limited by Section 9 g. (ii), the Employer will pay the Executive all earned and unpaid Base Salary, earned and unpaid vacation pay, earned and unpaid STI for a preceding year (if any remains unpaid), and a prorated STI Bonus for the year of termination, up to and including the Executive's last day of active employment with the Employer (the "**Termination Date**"), with such payment to be made within five (5) business days of the Termination Date.

- ii. In the event of resignation by the Executive or termination of the Executive's employment for Cause, no STI Bonus for the year of termination will be payable to the Executive; and
  - iii. On the Termination Date, or as otherwise directed by the Board, the Executive will immediately deliver to the Employer all files, computer disks, Confidential Information, information and documents pertaining to the Employer's Business, and all other property of the Employer that is in the Executive's possession or control, without making or retaining any copy, duplication or reproduction of such files, computer disks, Confidential Information, information or documents without the Employer's express written consent.
- g. Other than as expressly provided herein, the Executive will not be entitled to receive any further pay or compensation, severance pay, notice, payment in lieu of notice, incentives, bonuses, benefits, rights and damages of any kind. The Executive acknowledges and agrees that, in the event of a payment under Section 9b. or Section 9 c. of this Agreement, the Executive will not be entitled to any other payment in connection with the termination of the Executive's employment.
- h. Notwithstanding the foregoing, in the event of a termination without Cause or termination for Good Reason, the Employer will not be required to pay any Base Salary or STI Bonus to the Executive beyond that earned by the Executive up to and including the Termination Date, unless the Executive signs within sixty (60) days of the Termination Date and does not revoke a full and general release (the "**Release**") of any and all claims that the Executive has against the Employer or its affiliates and such entities' past and then current officers, directors, owners, managers, members, agents and employees relating to all matters, in form and substance satisfactory to the Employer acting in good faith, provided, however, that the payment shall not occur prior to the effective date of the Release, provided further that if the maximum period during which Executive can consider and revoke the release begins in one calendar year and ends in another calendar year, then such payment shall not be made until the first payroll date occurring after the later of (A) the last day of the calendar year in which such period begins, and (B) the date on which the Release becomes effective.
- i. Notwithstanding any changes in the terms and conditions of the Executive's employment which may occur in the future, including any changes in position, duties or compensation, the termination provisions in this Agreement will continue to be in effect for the duration of the Executive employment with the Employer unless otherwise amended in writing and signed by the Employer.
- j. Agreement authorizing payroll deductions: If, on the date the employment relationship ends, regardless of the reason, the Executive owes the Employer any money (whether pursuant to an advance, overpayment, debt, error in payment, or any other reason), the Executive hereby authorizes the Employer to deduct any such debt amount from the Executive's salary, severance or any other payment due to the Executive (to the extent permissible by applicable law including without limitation Section 409A (as defined below)). Any remaining debt will be immediately payable to the Employer and the Executive agrees to satisfy such debt within 14 days of the Termination Date or any demand for repayment.

## **10. SHARE OWNERSHIP REQUIREMENTS**

- a. The Executive will be subject to the RBA Pubco's share ownership guideline policy, as amended from time to time.

## **11. CONFIDENTIAL INFORMATION**

- a. In this Agreement “Confidential Information” means information proprietary to RBA Pubco or the Employer that is not publically known or available, including but not limited to personnel information, customer information, supplier information, contractor information, pricing information, financial information, marketing information, business opportunities, technology, research and development, manufacturing and information relating to intellectual property, owned, licensed, or used by RBA Pubco or the Employer or in which the Employer otherwise has an interest, and includes Confidential Information created by the Executive in the course of her employment, jointly or alone. The Executive acknowledges that the Confidential Information is the exclusive property of the Employer.
- b. The Executive agrees at all times during the Term and after the Term, to hold the Confidential Information in strictest confidence and not to disclose it to any person or entity without written authorization from the Employer and the Executive agrees not to copy or remove it from the Employer’s premises except in pursuit of the Employer’s business, or to use or attempt to use it for any purpose other than the performance of the Executive’s duties on behalf of the Employer.
- c. The Executive agrees, at all times during and after the Term, not use or take advantage of the Confidential Information for creating, maintaining or marketing, or aiding in the creation, maintenance, marketing or selling, of any products and/or services which are competitive with the products and services of RBA Pubco or the Employer.
- d. Upon the request of the Employer, and in any event upon the termination of the Executive’s employment with the Employer, the Executive will immediately return to the Employer all materials, including all copies in whatever form containing the Confidential Information which are within the Executive’s possession or control.

## **12. INVENTIONS**

- a. In this Agreement, “Invention” means any invention, improvement, method, process, advertisement, concept, system, apparatus, design or computer program or software, system or database.
- b. The Executive acknowledges and agrees that every Invention which the Executive may, at any time during the terms of her employment with the Employer or its affiliates, make, devise or conceive, individually or jointly with others, whether during the Employer’s business hours or otherwise, and which relates in any manner to the Employer’s business will belong to, and be the exclusive property of the Employer, and the Executive will make full and prompt disclosure to the Employer of every such Invention. The Executive hereby irrevocably waives all moral rights that the Executive may have in every such Invention.
- c. The Executive undertakes to, and hereby does, assign to the Employer, or its nominee, every such Invention and to execute all assignments or other instruments and to do any other things necessary and proper to confirm the Employer’s right and title in and to every such Invention. The Executive further undertakes to perform all proper acts within her power necessary or desired by the Employer to obtain letters patent in the name of the Employer and at the Employer’s expense for every such Invention in whatever countries the Employer may desire, without payment by the Employer to the Executive of any royalty, license fee, price or additional compensation.

- d. The Executive acknowledges that all original works of authorship which are made by the Executive (solely or jointly with others) within the scope of the Executive's employment and which are protectable by copyright are "works made for hire," pursuant to United States Copyright Act (17 U.S.C., Section 101).

**13. NON-SOLICITATION**

- a. The Executive acknowledges that in the course of the Executive's employment with the Employer the Executive will develop close relationships with the Employer's clients, customers and employees, and that the Employer's goodwill depends on the development and maintenance of such relationships. The Executive acknowledges that the preservation of the Employer's goodwill and the protection of its relationships with its customers and employees are proprietary rights that the Employer is entitled to protect.
- b. The Executive will not during the Applicable Period, whether individually or in partnership or jointly or in conjunction with any person or persons, as principal, agent, shareholder, director, officer, employee or in any other manner whatsoever:
  - i. solicit any client or customer of the Employer or an affiliate with whom the Executive dealt during the twelve (12) months immediately prior to the termination of the Executive's employment with the Employer (however caused) for the purposes of (a) causing or trying to cause such client or customer to cease doing business with the Employer or to reduce such business with the Employer or an affiliate by diverting it elsewhere or (b) providing products or services that are the same as or competitive with the business of the Employer or an affiliate in the area of facilitating the exchange of industrial equipment; or
  - ii. seek in any way to solicit, engage, persuade or entice, or attempt to solicit, engage, persuade or entice any employee of the Employer or an affiliate, to leave her employment with the Employer or affiliate,

The "Applicable Period" means twelve (12) months following termination, regardless of the reason for such termination or the party effecting it.

**14. NON-COMPETITION**

The Executive agrees that, without the prior written consent of the Employer, the Executive will not, directly or indirectly, in a capacity similar to that of the Executive with the Employer, carry on, be engaged in, be concerned with or interested in, perform services for, or be employed in a business which is the same as or competitive with the business of the Employer in the area of facilitating the exchange of industrial equipment, or in the area of the buying, selling or auctioning of industrial equipment, either individually or in partnership or jointly or in conjunction with any person as principal, agent, employee, officer or shareholder. The foregoing restriction will be in effect for a period of twelve (12) months following the termination of the Executive's employment, regardless of the reason for such termination or the party effecting it, within the geographical area of Canada and the United States.

**15. REMEDIES FOR BREACH OF RESTRICTIVE COVENANTS**

- a. The Executive acknowledges that the restrictions contained in Sections 9 g. iii., 11, 12, 13 and 14 of this Agreement are, in view of the nature of the Employer's business, reasonable and necessary in order to protect the legitimate interests of the Employer and that any violation of those Sections would result in irreparable injuries and harm to the Employer, and that damages alone would be an inadequate remedy.
- b. The Executive hereby agrees that the Employer will be entitled to the remedies of injunction, specific performance and other equitable relief to prevent a breach or recurrence of a breach of this Agreement and that the Employer will be entitled to its reasonable legal costs and expenses, including but not limited to its attorneys' fees, incurred in properly enforcing a provision of this Agreement.
- c. Nothing contained herein will be construed as a waiver of any of the rights that the Employer may have for damages or otherwise.
- d. The Executive and the Employer expressly agree that the provisions of Sections 9 g. iii., 11, 12, 13, 14, and 21 of this Agreement will survive the termination of the Executive's employment for any reason.

**16. GOVERNING LAW**

This Agreement will be governed by the laws of the State of Washington.

**17. SEVERABILITY**

- a. All sections, paragraphs and covenants contained in this Agreement are severable, and in the event that any of them will be held to be invalid, unenforceable or void by a court of a competent jurisdiction, such sections, paragraphs or covenants will be severed and the remainder of this Agreement will remain in full force and effect.

**18. ENTIRE AGREEMENT**

- a. This Agreement, including the Appendices, and any other documents referenced herein, contains the complete agreement concerning the Executive's employment by the Employer and will, as of the date it is executed, supersede any and all other employment agreements between the parties.
- b. The parties agree that there are no other contracts or agreements between them, and that neither of them has made any representations, including but not limited to negligent misrepresentations, to the other except such representations as are specifically set forth in this Agreement, and that any statements or representations that may previously have been made by either of them to the other have not been relied on in connection with the execution of this Agreement and are of no effect.
- c. No waiver, amendment or modification of this Agreement or any covenant, condition or restriction herein contained will be valid unless executed in writing by the party to be charged therewith, with the exception of those modifications expressly permitted within this Agreement. Should the parties agree to waive, amend or modify any provision of this Agreement, such waiver, amendment or modification will not affect the enforceability of any other provision of this Agreement. Notwithstanding the foregoing, the Employer may unilaterally amend the provisions of Section 11 c. relating to provision of certain health

benefits following termination of employment to the extent the Employer deems necessary to avoid the imposition of excise taxes, penalties or similar charges on the Employer or any of its Affiliates, including, without limitation, under Section 4980D of the U.S. Internal Revenue Code.

**19. CONSIDERATION**

- a. The parties acknowledge and agree that this Agreement has been executed by each of them in consideration of the mutual premises and covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged. The parties hereby waive any and all defenses relating to an alleged failure or lack of consideration in connection with this Agreement.

**20. INTERPRETATION**

Headings are included in this Agreement for convenience of reference only and do not form part of this Agreement.

**21. DISPUTE RESOLUTION**

In the event of a dispute arising out of or in connection with this Agreement, or in respect of any legal relationship associated with it or from it, which does not involve the Employer seeking a court injunction or other injunctive or equitable relief to protect its business, confidential information or intellectual property, that dispute will be resolved in strict confidence as follows:

- a. Amicable Negotiation – The parties agree that, both during and after the performance of their responsibilities under this Agreement, each of them will make *bona fide* efforts to resolve any disputes arising between them via amicable negotiations;
- b. Arbitration – If the parties have been unable to resolve a dispute for more than 90 days, or such other period agreed to in writing by the parties, either party may refer the dispute for final and binding arbitration by providing written notice to the other party. If the parties cannot agree on an arbitrator within thirty (30) days of receipt of the notice to arbitrate, then either party may make application to the American Arbitration Association (the “AAA”) to appoint one. The arbitration will be held in Seattle, Washington, in accordance with the AAA’s rules, and each party will bear its own costs, including one-half share of the arbitrator’s fees.

**22. ENUREMENT**

- a. The provisions of this Agreement will enure to the benefit of and be binding upon the parties, their heirs, executors, personal legal representatives and permitted assigns, and related companies.
- b. This Agreement may be assigned by the Employer in its discretion, in which case the assignee shall become the Employer for purposes of this Agreement. This Agreement will not be assigned by the Executive.

**23. EFFECT OF SECTION 409A**

- a. Payments and benefits provided under or referenced in this Agreement are intended to be designed in such a manner that they are either exempt from the application of, or comply with, the requirements of, Section 409A of the U.S. Internal Revenue Code and the regulations issued thereunder (collectively, as in effect from time to time, “Section 409A”) and shall be construed, administered and interpreted in accordance with such intention. If, as of the date of the Executive’s termination, the Executive is a “specified employee” within the meaning of Section 409A, then to the extent necessary to comply with Section 409A and to avoid the imposition of taxes and/or penalties under Section 409A, payment to the Executive of any amount or benefit under this Agreement or any other Employer plan, program or agreement that constitutes “nonqualified deferred compensation” under Section 409A and which under the terms of this Agreement or any other Employer plan, program or arrangement would otherwise be payable as a result of and within six (6) months following such termination shall be delayed, as provided under current regulatory requirements under Section 409A, until the earlier of (i) five (5) days after the Employer receives notification of the Executive’s death or (ii) the first business day of the seventh month following the date of the Executive’s termination.
- b. Any payment or benefit under this Agreement or any other Employer plan, program or agreement that is payable upon a termination of the Executive’s employment shall only be paid or provided to the Executive upon a “separation from service” within the meaning of Section 409A. If the Executive or the Employer determine that any payment, benefit, distribution, deferral election, or any other action or arrangement contemplated by the provisions of this Agreement or any other Employer plan, program or agreement would, if undertaken or implemented, cause the Executive to become subject to taxes and/or penalties under Section 409A, then such payment, benefit, distribution, deferral election or other action or arrangement shall not be given effect to the extent it causes such result and the related provisions of this Agreement or other Employer plan, program or agreement will be deemed modified in order to provide the Executive with the intended economic benefit and comply with the requirements of Section 409A.
- c. Each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate and distinct payments.
- d. With regard to any provision in this Agreement that provides for reimbursement of expenses or in-kind benefits, except for any expense, reimbursement or in-kind benefit provided pursuant to this Agreement that does not constitute a “deferral of compensation,” within the meaning of Section 409A, (i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during any calendar year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (ii) such payments shall be made on or before the last day of the calendar year following the calendar year in which the expense was incurred, and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

**Dated** this 29<sup>th</sup> day of March, 2019.



**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

I, Sharon R. Driscoll, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ritchie Bros. Auctioneers Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

/s/ Sharon R. Driscoll

Sharon R. Driscoll  
Co- Chief Executive Officer and Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

I, Karl Werner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ritchie Bros. Auctioneers Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

/s/ Karl Werner

Karl Werner  
Co- Chief Executive Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. §1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Ritchie Bros. Auctioneers Incorporated (the "Company") on Form 10-Q for the period ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sharon R. Driscoll, Co- Chief Executive Officer and Chief Financial Officer, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2019

*/s/ Sharon R. Driscoll*

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Sharon R. Driscoll  
*Co- Chief Executive Officer and Chief Financial Officer*

**CERTIFICATION PURSUANT TO  
18 U.S.C. §1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Ritchie Bros. Auctioneers Incorporated (the "Company") on Form 10-Q for the period ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Karl Werner, Co- Chief Executive Officer, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2019

*/s/ Karl Werner*

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Karl Werner  
*Co- Chief Executive Officer*