

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, on EDGAR at www.sec.gov, or on SEDAR at www.sedar.com, are among those that we consider may affect our performance materially or could cause our actual financial and operational results to differ significantly from our expectations. Except as required by applicable securities law and regulations of relevant securities exchanges, we do not intend to update publicly any forward-looking statements, even if our expectations have been affected by new information, future events or other developments.

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

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 41-45 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.

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.

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

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, on EDGAR at www.sec.gov, or on SEDAR at 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%	1080 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	% Change
			2019 over 2018
Period-end exchange rate			
Canadian dollar	0.7551	0.7745	(3%)
Euro	1.0900	1.1605	(6%)
Australian dollar	0.6751	0.7226	(7%)
Average exchange rate- Three months ended September 30,			
Canadian dollar	0.7572	0.7651	(1%)
Euro	1.1116	1.1633	(4%)
Australian dollar	0.6851	0.7309	(6%)
Average exchange rate- Nine months ended September 30,			
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	2018	% Change
			2019 over 2018			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 ⁽¹⁾ and other ⁽²⁾	258,947	188,943	37%	698,592	600,569	16%
Percentage of total	23.9%	18.2%		18.6%	16.6%	
GTV	\$ 1,084,241	\$ 1,039,427	4%	\$ 3,756,679	\$ 3,626,551	4%

(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	2018	% Change
			2019 over 2018			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%	
GTV	\$ 1,084,241	\$ 1,039,427	4%	\$ 3,756,679	\$ 3,626,551	4%

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	2018	% Change
			2019 over 2018			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
United States						
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%
Canada						
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%)
International						
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%
Total						
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	2018	% Change
			2019 over 2018			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.

	Issuer purchases of equity securities			
	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced program	(d) Maximum approximate dollar value of shares that may yet be purchased under the program
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
	1,223,674	\$ 34.32	1,223,674	\$ 58.0 million

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:

(in U.S. \$ millions)	12 months ended September 30,			% Change 2019 over 2018
	2019	2018		
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:

(in U.S. \$ millions)	12 months ended September 30,			% Change 2019 over 2018
	2019	2018		
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:

(in U.S. \$ millions)	As at and for the 12 months ended September 30,			% Change 2019 over 2018
	2019	2018		
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, on EDGAR at www.sec.gov, or on SEDAR at www.sedar.com.

ITEM 4: CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management of the Company, including the 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.