

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 and reasons we use 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, 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.rbaction.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 Q2 2019 increased 18% to \$54.0 million, and diluted earnings per share (“EPS”) attributable to stockholders increased 17% to \$0.49 per share, compared to the same period in 2018.

Consolidated results:

- Total revenue in Q2 2019 increased 27% to \$393.2 million as compared to Q2 2018
 - Service revenue in Q2 2019 increased 9% to \$234.6 million as compared to Q2 2018
 - Inventory sales revenue in Q2 2019 increased 68% to \$158.6 million as compared to Q2 2018
- Total selling, general and administrative expenses (“SG&A”) in Q2 2019 decreased 4% to \$97.7 million as compared to Q2 2018
- Operating income in Q2 2019 increased 20% to \$78.0 million as compared to Q2 2018
- Cash provided by operating activities was up 49% to \$160.4 million for the first half of 2019

Auctions & Marketplaces segment results:

- GTV in Q2 2019 increased 5% to \$1.5 billion and increased 7% when excluding the impact of foreign exchange as compared to Q2 2018
- A&M total revenue in Q2 2019 increased 31% to \$359.7 million as compared to Q2 2018
 - Service revenue in Q2 2019 increased 12% to \$201.1 million as compared to Q2 2018
 - Inventory sales revenue in Q2 2019 increased 68% to \$158.6 million as compared to Q2 2018

Other Services segment results:

- Other Services total revenue in Q2 2019 decreased 2% to \$33.6 million as compared to Q2 2018
- RBFS revenue in Q2 2019 increased 19% to \$8.1 million as compared to Q2 2018

Other Company developments:

- On June 24, 2019, Ravi Saligram, Chief Executive Officer and Board member, announced that he will step down from his positions effective October 1, 2019
- In Q2 2019, our Board of Directors authorized a share repurchase program for the repurchase of up to \$100 million of our common shares over the next 12 months, which was approved by the Toronto Stock Exchange “TSX”. During Q2 2019, we repurchased \$42.0 million of common shares.
- Increased quarterly cash dividend by 11% to \$0.20 per share

Results of Operations

Financial overview

(in U.S. \$000's, except EPS)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change 2019 over 2018	2019	2018	% Change 2019 over 2018
Service revenue:						
Commissions	\$ 134,466	\$ 124,697	8%	\$ 226,746	\$ 225,991	0%
Fees	100,140	89,649	12%	180,232	164,371	10%
Total service revenue	234,606	214,346	9%	406,978	390,362	4%
Inventory sales revenue	158,616	94,184	68%	289,673	178,346	62%
Total revenue	393,222	308,530	27%	696,651	568,708	22%
Service revenue as a % of total revenue	59.7%	69.5%	-980 bps	58.4%	68.6%	-1020 bps
Inventory sales revenue as a % of total revenue	40.3%	30.5%	980 bps	41.6%	31.4%	1020 bps
Costs of services	50,268	43,033	17%	86,337	79,690	8%
Cost of inventory sold	149,818	81,702	83%	270,293	157,493	72%
Selling, general and administrative expenses	97,714	101,259	(4%)	192,898	198,729	(3%)
Operating expenses	315,252	243,735	29%	585,093	471,040	24%
Cost of inventory sold as a % of operating expenses	47.5%	33.5%	1400 bps	46.2%	33.4%	1280 bps
Operating income	77,970	64,795	20%	111,558	97,668	14%
Operating income margin	19.8%	21.0%	-120 bps	16.0%	17.2%	-120 bps
Net income attributable to stockholders	54,036	45,717	18%	72,200	62,855	15%
Diluted earnings per share attributable to stockholders	\$ 0.49	\$ 0.42	17%	\$ 0.66	\$ 0.58	14%
Diluted adjusted EPS attributable to stockholders (non-GAAP measure)	\$ 0.49	\$ 0.42	17%	\$ 0.66	\$ 0.58	14%
Effective tax rate	22.1%	16.5%	560 bps	23.4%	18.5%	490 bps
Total GTV	1,497,757	1,426,412	5%	2,672,438	2,587,124	3%
Service revenue as a % of total GTV- Rate	15.7%	15.0%	70 bps	15.2%	15.1%	10 bps
Inventory sales revenue as a % of total GTV- Mix	10.6%	6.6%	400 bps	10.8%	6.9%	390 bps

Total revenue

Total revenue increased 27% to \$393.2 million in Q2 2019 and increased 22% to \$696.7 million for the first half of 2019. During the quarter, there was a large dispersal of pipeline equipment as part of the \$94 million Columbus, Ohio auction held in June 2019.

In Q2 2019, total service revenue increased 9% with commissions revenue increasing 8% and fee revenue increasing 12%. The increase in commissions revenue was primarily due to the Columbus auction in the U.S. where we saw higher guarantee commission rate performance and improved straight commission rate in the International region. The increase in fee revenue was driven primarily by full implementation of our buyer fees harmonization in June 2019, higher proportion of low value lots, and fees earned from RBFS.

For the first half of 2019, total service revenue increased 4%, driven by a slight increase in commissions revenue and a 10% increase in fee revenue. The slight increase in commissions revenue reflects our Q2 2019 performance which was partially offset by Q1 2019 lower price realization on guarantee contracts, as well as a decrease in volume of straight commission contracts. The 10% increase in fee revenue was primarily driven by the same reasons noted above.

Inventory sales revenue as a percent of total GTV increased to 10.6% from 6.6% in Q2 2019 and to 10.8% from 6.9% in the first half of 2019.

In Q2 2019, Inventory sales revenue increased 68% led by the large dispersal of pipeline equipment as part of the \$94 million Columbus, Ohio auction, GovPlanet revenue growth from the non-rolling stock ("NRS") program, and higher volume of inventory sales contracts in the International region.

For the first half of 2019, inventory sales revenue increased 62% primarily due to the same reasons discussed above for Q2 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 Q2 2019, income tax expense increased 71% to \$15.4 million and our effective tax rate increased 560 bps to 22.1% as compared to Q2 2018. For the first half of 2019, income tax expense increased 54% to \$22.0 million and our effective tax rate increased 490 bps to 23.4% as compared to the first half of 2018. Increases in the effective tax rates for Q2 2019, and for the first half of 2019 were primarily due to impacts of the U.S. tax reform and a greater proportion of annual income subject to tax in jurisdictions with higher tax rates.

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 its tax provision in the quarter of enactment as new information becomes available.

Net income

Net income attributable to stockholders increased 18% to \$54.0 million in Q2 2019 and increased 15% to \$72.2 million for the first half of 2019. These increases were primarily due to higher operating income coupled with lower net interest expenses, partially offset by higher taxes due to an increase in the effective tax rate.

Diluted EPS

Diluted EPS attributable to stockholders increased 17% to \$0.49 per share in Q2 2019 and increased 14% to \$0.66 per share for the first half 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	0.7638	0.7612	0%
Euro	1.1371	1.1682	(3%)
Australian dollar	0.7020	0.7408	(5%)
Average exchange rate- Three months ended June 30,			
Canadian dollar	0.7477	0.7745	(3%)
Euro	1.1239	1.1917	(6%)
Australian dollar	0.7000	0.7565	(7%)
Average exchange rate- Six months ended June 30,			
Canadian dollar	0.7500	0.7827	(4%)
Euro	1.1297	1.2107	(7%)
Australian dollar	0.7061	0.7714	(8%)

For Q2 2019 and the first half 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 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'. There were no adjusting items in Q2 2019, in the first half of 2019, or the comparative prior year periods.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") (non-GAAP measure) increased 18%, to \$95.7 million in Q2 2019 and increased 13% to \$147.6 million for the first half of 2019.

Debt at the end of Q2 2019 represented 5.4 times net income as at and for the 12 months ended June 30, 2019. This compares to debt at Q2 2018, which represented 6.9 times net income as at and for the 12 months ended June 30, 2018. The decrease in this debt/net income multiplier was primarily due to lower debt balances at June 30, 2019 compared to June 30, 2018, as a result of our voluntary and involuntary debt repayments. The adjusted net debt/adjusted EBITDA (non-GAAP measure) was 1.8 times as at and for the 12 months ended June 30, 2019 compared to 2.5 times as at and for the 12 months ended June 30, 2018.

Segment Performance

(in U.S \$000's)	Three months ended June 30, 2019			Six months ended June 30, 2019		
	A&M	Other	Consolidated	A&M	Other	Consolidated
Service revenue	\$ 201,050	\$ 33,556	\$ 234,606	\$ 344,487	\$ 62,491	\$ 406,978
Inventory sales revenue	158,616	-	158,616	289,673	-	289,673
Total revenue	359,666	33,556	393,222	634,160	62,491	696,651
Ancillary and logistical service expenses	-	16,472	16,472	-	30,231	30,231
Other costs of services	32,551	1,245	33,796	53,368	2,738	56,106
Cost of inventory sold	149,818	-	149,818	270,293	-	270,293
SG&A expenses	91,466	6,248	97,714	180,648	12,250	192,898
Segment profit	\$ 85,831	\$ 9,591	\$ 95,422	\$ 129,851	\$ 17,272	\$ 147,123

(in U.S \$000's)	Three months ended June 30, 2018			Six months ended June 30, 2018		
	A&M	Other	Consolidated	A&M	Other	Consolidated
Service revenue	\$ 180,067	\$ 34,279	\$ 214,346	\$ 328,472	\$ 61,890	\$ 390,362
Inventory sales revenue	94,184	-	94,184	178,346	-	178,346
Total revenue	274,251	34,279	308,530	506,818	61,890	568,708
Ancillary and logistical service expenses	-	19,980	19,980	-	34,560	34,560
Other costs of services	21,381	1,672	23,053	42,829	2,301	45,130
Cost of inventory sold	81,702	-	81,702	157,493	-	157,493
SG&A expenses	95,959	5,300	101,259	188,961	9,768	198,729
Segment profit	\$ 75,209	\$ 7,327	\$ 82,536	\$ 117,535	\$ 15,261	\$ 132,796

Auctions and Marketplaces Segment

Results of A&M segment operations

(in U.S. \$000's, except EPS)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change 2019 over 2018	2019	2018	% Change 2019 over 2018
Service revenue	\$ 201,050	\$ 180,067	12%	\$ 344,487	\$ 328,472	5%
Inventory sales revenue	158,616	94,184	68%	289,673	178,346	62%
Total revenue	359,666	274,251	31%	634,160	506,818	25%
A&M service revenue as a % of total A&M revenue	55.9%	65.7%	-980 bps	54.3%	64.8%	-1050 bps
Inventory sales revenue as a % of total A&M revenue	44.1%	34.3%	980 bps	45.7%	35.2%	1050 bps
Costs of services	32,551	21,381	52%	53,368	42,829	25%
Cost of inventory sold	149,818	81,702	83%	270,293	157,493	72%
SG&A expenses	91,466	95,959	(5%)	180,648	188,961	(4%)
A&M segment expenses	\$ 273,835	\$ 199,042	38%	\$ 504,309	389,283	30%
Cost of inventory sold as a % of A&M expenses	54.7%	41.0%	1370 bps	53.6%	40.5%	1310 bps
A&M segment profit	\$ 85,831	\$ 75,209	14%	\$ 129,851	117,535	10%
Total GTV	1,497,757	1,426,412	5%	2,672,438	2,587,124	3%
A&M service revenue as a % of total GTV- Rate	13.4%	12.6%	80 bps	12.9%	12.7%	20 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 June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
			2019 over 2018			2019 over 2018
Live on site auctions	\$ 1,261,194	\$ 1,201,472	5%	\$ 2,232,793	\$ 2,175,498	3%
Percentage of total	84.2%	84.2%		83.5%	84.1%	
Online marketplaces including featured ⁽¹⁾ and other ⁽²⁾	236,563	224,940	5%	439,645	411,626	7%
Percentage of total	15.8%	15.8%		16.5%	15.9%	
GTV	\$ 1,497,757	\$ 1,426,412	5%	\$ 2,672,438	\$ 2,587,124	3%

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

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

Overall, GTV in Q2 2019 increased 5%, and for the first half of 2019 increased 3%. Excluding the impact of foreign exchange, GTV in Q2 2019 increased 7% and for the first half of 2019 increased 5%.

For Q2 2019, GTV from live on site auctions increased 5% primarily due to our \$94 million auction in Columbus, Ohio. GTV from our online marketplaces increased 5% primarily due to the growth of Marketplace-E and the GovPlanet NRS program.

For the first half of 2019, GTV from live on site auctions increased 3% primarily due to Columbus, Ohio auction, offset by a non-repeat of a large oil and gas equipment dispersal from our Q1 2018 Grande Prairie auction. GTV from online marketplaces increased 7% primarily due to the growth of the GovPlanet NRS program.

GTV by Revenue Type

(in U.S \$000's)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
			2019 over 2018			2019 over 2018
Service GTV	\$ 1,339,141	\$ 1,332,228	1%	\$ 2,382,765	\$ 2,408,778	(1%)
Percentage of total	89.4%	93.4%		89.2%	93.1%	
Inventory GTV	158,616	94,184	68%	289,673	178,346	62%
Percentage of total	10.6%	6.6%		10.8%	6.9%	
GTV	\$ 1,497,757	\$ 1,426,412	5%	\$ 2,672,438	\$ 2,587,124	3%

In Q2 2019, Service GTV increased 1%, while Inventory GTV increased 68%. The increase in Inventory GTV during Q2 2019 was primarily due to a dispersal of large pipeline equipment at our Columbus auction, and revenue growth from our GovPlanet NRS program.

For the first half of 2019, Service GTV declined 1% with Inventory GTV increasing 62%. The growth in Inventory GTV was driven by the Columbus auction, GovPlanet NRS, the large volume of inventory contracts at our Q1 Orlando auction, and growth in international contracts resulting from macroeconomic conditions in parts of Europe and Asia.

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 to 24.0% in Q2 2019 compared to 18.7% in Q2 2018, primarily due to the increased number of inventory contracts. For the first half of 2019, our underwritten contracts increased to 20.7% compared to 16.1% in the prior period.

Online bidding

Across all channels, 63% of total GTV was purchased by online buyers in Q2 2019 compared to 57% in Q2 2018. For the first half of 2019, GTV from online buyer was 62% compared to 57% 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.

Total industrial live on site auction metrics

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
			2019 over 2018			2019 over 2018
Number of auctions	59	50	18%	94	85	11%
Bidder registrations	200,250	141,500	42%	343,250	260,500	32%
Consignors	17,450	14,700	19%	29,000	25,450	14%
Buyers	43,500	36,350	20%	74,250	65,350	14%
Lots	120,500	103,500	16%	206,750	184,500	12%

We held nine additional industrial auctions during Q2 2019 which partially contributed to the 5% growth in our GTV. The nine industrial auctions added were each of a smaller scale compared to our average auctions. The nine additional industrial auctions also contributed to the 3% growth in our GTV during the first half of 2019.

In Q2 2019, the total number of industrial lots increased 16% to 120,500 and the total number of lots including agricultural lots increased 14% to 138,500 lots. For the first half of 2019, total number of industrial lots increased 12% to 206,750 and the total number of lots including agricultural lots increased 11% to 226,500 lots. These increases were partially due to an increase in proportion of small value lots sold in Canada.

GTV on a per lot basis generated at our industrial live on site auctions decreased 10% to \$9,400 in Q2 2019 compared to \$10,500 in Q2 2018, partially due to a higher number of small value lots sold in Canada. For the first half of 2019, the GTV on a per lot basis generated at our industrial live on site auctions decreased 9% to \$10,000 compared to \$11,000 in the prior year.

12 months average industrial live on site auction metrics

(in U.S \$000's)	12 months ended June 30,			% Change
	2019	2018	2019 over 2018	
GTV	\$ 20.5 million	\$ 17.3 million	\$	18%
Bidder registrations	3,322	2,491		33%
Consignors	300	242		24%
Lots	2,081	1,674		24%

For the 12 months ended June 30, 2019, we saw an increase in average GTV per industrial auction compared to the prior year periods driven by our focus on holding larger auctions.

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 June 30, 2019 was \$11.7 million per Revenue Producer compared to \$11.1 million per Revenue Producer for the trailing 12-month period ended June 30, 2018.

Sales Force Productivity for the 12-month period ended June 30, 2018 was calculated as the sum of the following two amounts:

- GTV for the 11 months, prior to our acquisition of IronPlanet (the "Acquisition"), ended May 31, 2017, divided by the average number of Revenue Producers over the same 11-month period; and
- GTV for the month following the Acquisition divided by the average number of Revenue Producers over that month.

A&M revenue

Total A&M revenue increased 31% to \$359.7 million in Q2 2019 and increased 25% to \$634.2 million for the first half of 2019.

A&M revenue by geographical region are presented below:

(in U.S \$000's)	Three months ended June 30, 2019			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
			2019 over 2018			2019 over 2018
United States						
Service revenue	\$ 110,622	\$ 98,113	13%	\$ 213,597	\$ 201,321	6%
Inventory sales revenue	87,788	32,037	174%	155,732	51,535	202%
A&M revenue- United States	198,410	130,150	52%	369,329	252,856	46%
Canada						
Service revenue	65,752	60,971	8%	85,520	82,697	3%
Inventory sales revenue	13,373	11,166	20%	17,158	48,327	(64%)
A&M revenue- Canada	79,125	72,137	10%	102,678	131,024	(22%)
International						
Service revenue	24,676	20,983	18%	45,370	44,454	2%
Inventory sales revenue	57,455	50,981	13%	116,783	78,484	49%
A&M revenue- International	82,131	71,964	14%	162,153	122,938	32%
Total						
Service revenue	201,050	180,067	12%	344,487	328,472	5%
Inventory sales revenue	158,616	94,184	68%	289,673	178,346	62%
A&M total revenue	359,666	274,251	31%	634,160	506,818	25%

United States

In Q2 2019, there was a large dispersal of pipeline equipment as part of the \$94 million Columbus, Ohio auction held in June 2019. This gave rise to an increase in both service and inventory revenues in the U.S. Service revenue was also up with fees on higher total GTV and due to our full harmonization of buyer fees effective June 1, 2019. Inventory sales revenue also increased due to GovPlanet revenue growth.

For the first half of 2019, service revenue increased 6% with fees on higher total GTV, and also due to our full harmonization of buyer fees. Inventory sales revenue increased 202% primarily due to the reasons noted above and a large volume of inventory contracts transacted at our Orlando, Florida auction.

Canada

In Q2 2019, service revenue increased 8% primarily with fees on higher GTV, which was a result of additional auctions held from auction calendar shifts. Service revenue was also up due to higher fees earned from increased proportion of small value lots, and our full harmonization of buyer fees. Inventory sales revenue increased 20% primarily due to a large equipment dispersal in Q2 2019.

For the first half of 2019, service revenue increased 3% primarily due to an increase in fee revenue for reasons noted above. Inventory sales revenue decreased 64% 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 Q2 2019, service revenue increased 18% primarily due to higher performance of straight commission rates and our full harmonization of buyer fees. Inventory sales revenue increased 13% primarily due to a rise in inventory contracts in Australia.

For the first half of 2019, service revenue increased 2% due to the same reasons discussed above for the second quarter. The 49% 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.

Costs of services

A&M costs of services increased 52% to \$32.6 million in Q2 2019 and increased 25% to \$53.4 million for the first half of 2019. For both reporting periods, these increases were primarily driven by a one-time fee paid to an unrelated third party in connection with a dispersal of the pipeline equipment at our Columbus, Ohio auction, on-going costs to support the growth of our GovPlanet operations and overall cost growth in-line with the service revenue growth.

Cost of inventory sold

A&M cost of inventory sold increased 83% to \$149.8 million in Q2 2019. The increase was partially due to the overall increase in inventory sales volume as well as the trailing effect of selling through some lower performing inventory packages acquired in the previous quarter within our International region.

For the first half of 2019, A&M cost of inventory sold increased 72% to \$270.3 million due to the reasons noted above and also, a result of discrete lower price performance on certain equipment categories which were in greater supply at our Orlando auction in Q1 2019.

SG&A expenses

In Q2 2019, A&M segment SG&A expenses decreased 5% to \$91.5 million, primarily due to foreign exchange fluctuations, lower compensation expense in the US and a decrease in professional fees, partially offset by on-going incremental costs related to the GovPlanet NRS program.

For the first half of 2019, A&M segment SG&A expenses decreased 4% to \$180.6 million due to the reasons noted above, as well as, higher share unit expenses in Q1 2018 related to mark-to-market costs driven by growth in the share price and incremental compensation cost resulting from the modification of certain performance factors.

Other Services Segment

(in U.S \$000's)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
			2019 over 2018			2019 over 2018
Service revenue	\$ 33,556	\$ 34,279	(2%)	\$ 62,491	\$ 61,890	1%
Ancillary and logistical service expenses	16,472	19,980	(18%)	30,231	34,560	(13%)
Other costs of services	1,245	1,672	(26%)	2,738	2,301	19%
SG&A expenses	6,248	5,300	18%	12,250	9,768	25%
Other Services profit	\$ 9,591	\$ 7,327	31%	\$ 17,272	\$ 15,261	13%

In Q2 2019, Other Services revenue decreased 2% to \$33.6 million primarily due to lower revenue from RB Logistics of \$1.2 million and ancillary service revenue of \$0.6 million, partially offset by the growth of RBFS revenue of \$1.3 million. In the first half of 2019, Other Services revenue increased 1% to \$62.5 million primarily due to growth of RBFS revenue of \$2.9 million, offset by lower ancillary service revenue of \$2.3 million.

RBFS revenue increased 19% in Q2 2019 and 25% in the first half of 2019 driven by the growth in funded volume. Funded volume, which represents the amount of lending brokered by RBFS, increased 12% to \$145.7 million in Q2 2019 and increased 18% to \$265.0 million in the first half of 2019.

Other Services SG&A expenses increased \$0.9 million, or 18% in Q2 2019 and \$2.5 million, or 25%, for the first half of 2019. These increases were primarily due to expenses incurred to support the growth of RBFS.

In Q2 2019, despite a 2% decrease in Other Services revenue, profit increased by 31% to \$9.6 million. The increase in profit was driven by our Ancillary and Mascus operations, while RB Logistics profit changed nominally as the cost of services decreased in line with the related revenue. For the first half of 2019, Other services profit increased 13% to \$17.3 million due to increased profit from our Ancillary and RBFS operations.

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)	Six months ended June 30,		
	2019	2018	% Change 2019 over 2018
Cash provided by (used in):			
Operating activities	\$ 160,355	\$ 107,858	49%
Investing activities	(17,210)	(21,116)	(18%)
Financing activities	(111,520)	(84,465)	32%
Effect of changes in foreign currency rates	1,802	(4,113)	144%
Net increase in cash, cash equivalents, and restricted cash	\$ 33,427	\$ (1,836)	1921%

Cash provided by operating activities increased \$52.5 million in the first half 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 in Europe and the increase in our net income over the comparative period.

Net cash used in investing activities decreased \$3.9 million in the first half of 2019. This decrease was primarily due to our \$4.7 million acquisition of the Leake Auction Company during the first half of 2018.

Net cash used in financing activities increased \$27.1 million in the first half of 2019. This increase was driven primarily by our \$42.0 million share repurchase, a \$13.9 million reduction in cash from the issuance of share capital, and \$2.6 million increase in dividend payments over the comparative period. The increase was partially offset by \$40.0 million lower net voluntary term debt repayments and a \$9.0 million increase in net proceeds from short-term debt over the comparative period.

Dividend information

We declared and paid a regular cash dividend of \$0.18 per common share for the quarter ended June 30, 2019, September 30, 2018, December 31, 2018, and March 31, 2019. We have declared, but not yet paid, a dividend of \$0.20 per common share for the quarter ended June 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 59.9% for the 12 months ended June 30, 2019 from 66.4% for the 12 months ended June 30, 2018. This decrease 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 61.7% for the 12 months ended June 30, 2019 from 72.0% for the 12 months ended June 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 130 bps to 8.5% for the 12-month period ending June 30, 2019 from 7.2% for the 12-month period ending June 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 170 bps to 8.3% during the 12 months ended June 30, 2019 compared to 6.6% for the 12 months period ending June 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 June 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 total period of 12 months, ending May 8, 2020.

In Q2 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.

There were no adjusting items in Q2 2019, and in the first half of 2019, or in the comparative prior year periods.

(in U.S. \$000's)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
			2019 over 2018			2019 over 2018
Operating income	\$ 77,970	\$ 64,795	20%	\$ 111,558	\$ 97,668	14%
Adjusted operating income*	\$ 77,970	\$ 64,795	20%	\$ 111,558	\$ 97,668	14%

(1) 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.

There were no adjusting items in Q2 2019, and in the first half of 2019, or in the comparative prior year periods.

(in U.S. \$000's, except share and per share data)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
			2019 over 2018			2019 over 2018
Net income attributable to stockholders	\$ 54,036	\$ 45,717	18%	\$ 72,200	\$ 62,855	15%
Adjusted net income attributable to stockholders*	\$ 54,036	\$ 45,717	18%	\$ 72,200	\$ 62,855	15%
Weighted average number of dilutive shares outstanding	109,942,768	109,019,708	1%	109,982,763	108,832,776	1%
Diluted earnings per share attributable to stockholders	\$ 0.49	\$ 0.42	17%	\$ 0.66	\$ 0.58	14%
Diluted adjusted EPS attributable to stockholders*	\$ 0.49	\$ 0.42	17%	\$ 0.66	\$ 0.58	14%

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

(2) 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 June 30,			Six months ended June 30,		
	2019	2018	% Change 2019 over 2018	2019	2018	% Change 2019 over 2018
Net income	\$ 54,131	\$ 45,727	18%	\$ 72,303	\$ 62,934	15%
Add: depreciation and amortization expenses	17,112	16,537	3%	34,227	32,728	5%
Add: interest expense	10,117	10,937	-7%	20,933	22,247	-6%
Less: interest income	(1,063)	(837)	27%	(1,918)	(1,229)	56%
Add: income tax expense	15,401	9,031	71%	22,040	14,300	54%
Adjusted EBITDA*	\$ 95,698	\$ 81,395	18%	\$ 147,585	\$ 130,980	13%

(1) 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 EBITDA* 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 EBITDA* and adjusted net debt*/adjusted EBITDA* to debt, cash and cash equivalents, net income, and debt as a multiple of net income, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements.

(in U.S. \$ millions)	As at and for the 12 months ended June 30,		
	2019	2018	% Change 2019 over 2018
Short-term debt	\$ 8.0	\$ 4.1	95%
Long-term debt	704.9	750.4	-6%
Debt	712.9	754.5	-6%
Less: cash and cash equivalents	(210.4)	(210.6)	0%
Adjusted net debt*	502.5	543.9	-8%
Net income	\$ 130.9	\$ 110.1	19%
Add: depreciation and amortization expenses	68.1	63.3	8%
Add: interest expense	43.2	43.8	-1%
Less: interest income	(3.6)	(2.5)	43%
Add: income tax expense	38.7	5.0	674%
Pre-tax adjusting items:			
Severance and retention	1.5	2.2	-32%
Gain on sale of equity accounted for investment	(4.9)	-	0%
Adjusted EBITDA*	\$ 273.9	\$ 221.9	23%
Debt/net income	5.4x	6.9x	(22%)
Adjusted net debt*/adjusted EBITDA*	1.8x	2.5x	(28%)

(1) Please refer to page 45 for a summary of adjusting items during the trailing 12-months ended June 30, 2019 and June 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 and net capital spending, which are the most directly comparable GAAP measures in, or calculated from, our consolidated statements of cash flows:

(in U.S. \$ millions)	12 months ended June 30,			% Change
	2019	2018	2019 over 2018	
Cash provided by operating activities	\$ 196.8	\$ 139.4	41%	
Property, plant and equipment additions	15.7	12.3	28%	
Intangible asset additions	26.1	30.7	-15%	
Proceeds on disposition of property plant and equipment	(9.5)	(4.2)	126%	
Net capital spending	\$ 32.3	\$ 38.8	-17%	
OFCF*	\$ 164.5	\$ 100.6	64%	

(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 June 30,			% Change
	2019	2018	2019 over 2018	
Dividends paid to stockholders	\$ 78.3	\$ 73.0	7%	
Net income attributable to stockholders	\$ 130.8	\$ 109.9	19%	
Pre-tax adjusting items:				
Severance and retention	1.5	2.2	-32%	
Gain on sale of equity accounted for investment	(4.9)	-	0%	
Current income tax effect of adjusting items:				
Severance and retention	(0.4)	(0.2)	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*	\$ 127.0	\$ 101.4	25%	
Dividend payout ratio	59.9%	66.4%	-650 bps	
Adjusted dividend payout ratio*	61.7%	72.0%	-1030 bps	

(1) Please refer to page 45 for a summary of adjusting items during the trailing 12-months ended June 30, 2019 and June 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, long-term debt, stockholders' equity, return on average invested capital which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements:

(in U.S. \$ millions)	As at and for the 12 months ended June 30,			% Change 2019 over 2018
	2019	2018		
Net income attributable to stockholders	\$ 130.8	\$ 109.9		19%
Pre-tax adjusting items:				
Severance and retention	1.5	2.2		-32%
Gain on sale of equity accounted for investment	(4.9)	-		0%
Current income tax effect of adjusting items:				
Severance and retention	(0.4)	(0.2)		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*	\$ 127.0	\$ 101.4		25%
Opening long-term debt	\$ 750.4	\$ 814.3		-8%
Ending long-term debt	704.9	750.4		-6%
Average long-term debt	727.7	782.4		-7%
Opening stockholders' equity	\$ 786.4	\$ 711.6		11%
Ending stockholders' equity	830.7	786.4		6%
Average stockholders' equity	808.6	749.0		8%
Average invested capital	\$ 1,536.3	\$ 1,531.4		0%
Return on average invested capital	8.5%	7.2%		130 bps
ROIC*	8.3%	6.6%		170 bps

(1) Please refer to page 45 for a summary of adjusting items during the trailing 12-months ended June 30, 2019 and June 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 June 30, 2019 were:

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.

Recognized in the third quarter of 2018

- \$1.5 million (\$1.1 million after tax, or \$0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Acquisition;
- \$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.

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

Recognized in the second quarter of 2018

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

Recognized in the first quarter of 2018

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

Recognized in the fourth quarter of 2017

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

Recognized in the third quarter of 2017

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

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our market risk during the six months ended June 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 Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), have evaluated the effectiveness of our disclosure controls and procedures as at June 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 CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Based upon their evaluation of our disclosure controls and procedures, the CEO and the CFO concluded that, as at June 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 CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms.

We, including our CEO 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 CEO and CFO, concluded that there were no changes in our internal control over financial reporting during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.