

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, 2019, 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 43-48 for explanations of why we use these non-GAAP measures and the reconciliation to the most comparable GAAP financial measures.

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 \$5.14 billion of used equipment and other assets during 2019. 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 12 countries, including the U.S., Canada, Australia, the United Arab Emirates, and the Netherlands, and employ more than 2,500 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.

Proposed Acquisition of Rouse Services

On October 28, 2020, we entered into a definitive agreement to acquire Rouse Services, a privately held company that provides data intelligence and performance benchmarking solutions to help customers make better decisions. Its subscription-based revenue is generated by three Data-as-a-service (DaaS) solutions: rental analytics, equipment sales support, and fleet appraisals.

Under the terms of the transaction, we will acquire 100% of the equity of Rouse Services LLC for approximately \$275 million, comprised of approximately \$250 million in cash and \$25 million in our common stock, subject to adjustment. Completion of the acquisition is subject to customary closing conditions, including, among other conditions, the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

Impact of COVID-19 to our Business

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to spread throughout the world. The COVID-19 pandemic has resulted in significant global economic disruption and has materially impacted a number of countries and regions in which we operate, including the United States, Canada, Europe, the Middle East and Asia. It has resulted in travel restrictions and business slowdowns or shutdowns in affected areas and has negatively disrupted global manufacturing and workforce participation, including our own.

During the third quarter, many regions continued to lift lockdown policies and eased border restrictions, improving our ability to move equipment to and from our auction sites. Notwithstanding, our European region continued to experience some constraints by the cross-border quarantine requirements making equipment transport challenging and consequently impacting our overall auction volumes. Our North America region also lifted lockdown policies which positively impacted our businesses but unlike Europe and Asia, the dependency to move equipment across country borders within Canada and the US was not as large a factor in our ability to operate our business.

Our top priority with regard to the COVID-19 pandemic remains the health and welfare of our employees, customers, suppliers and others with whom we partner to run our business activities. We are strictly enforcing all local government and jurisdictional safety guidelines, and, in some instances, the Company is applying additional over-and-above safety measures. In the first quarter of 2020, we implemented our business continuity plans and instructed employees at many of our offices across the globe (including our corporate headquarters) to work from home on a temporary basis and implemented travel restrictions. These work-from-home orders and travel restrictions continued to be observed and were enforced throughout the third quarter.

For the third quarter, the Company was able to operate and serve our customers' equipment and immediate liquidity needs through our platform of auction technology solutions and online auction capabilities. In addition to running our IronPlanet weekly featured online auction, our online Marketplace-E solution and GovPlanet online auctions, we modified our live operations in March 2020 to transition all our traditional live onsite industrial auctions to online bidding. Buyers are still able to visit our live auction sites in advance of the virtual auctions to conduct inspections and pick up equipment post auction, but we are restricting attendance at our live theatres. We are enforcing rigid guidelines for equipment drop off, buyer inspections and post auction pickup of equipment to ensure the highest regard for the safety of our employees and customers. In addition, as implemented in the first quarter, we are using our Time Auctioned Lots (TAL) solution for selected events.

We have actively taken steps to be prudent on expenses and other cash outflows. Our priority is to support our employees, and we are actively monitoring the situation and changing dynamics in each of our respective regions and adjusting our operations as necessary. To this date, layoffs or furlough activities related to the COVID-19 pandemic have been limited in scope. As at the end of the third quarter, we held a solid balance sheet and strong liquidity position. As of September 30, 2020, we have \$470.3 million of unrestricted cash and \$469.4 million of unused committed capacity under our revolving credit facility. With respect to the announced Rouse acquisition, we are well positioned financially to close on the transaction and we have prudently taken steps to maximize positive cash flow and have also developed comprehensive contingency plans should the COVID-19 pandemic have a prolonged adverse impact on our business impeding our ability to generate revenue. Additionally, in the third quarter we amended and extended our credit facilities totaling US\$630.0 million to expire in October 2023.

The extent of the ongoing impact of the COVID-19 pandemic on our operational and financial performance, including our ability to execute our business strategies and initiatives, will depend on future developments, including the duration and spread of the pandemic and any related restrictions placed by respective global governments, as well as supply and demand impacts driven by our consignor and buyer base, all of which are uncertain and cannot be easily predicted. Although at the time of this filing, we continue operating our modified live site operations in all of the jurisdictions in which we operate, there is no assurance that our operations could not be impacted in the future. If we were to be subject to government orders or other restrictions on the operation of our business, we may be required to limit our operations at, or temporarily close, certain live site locations in the future. Any such limitations or closures could have an adverse impact on our ability to service our customers and on our business, and results of operations.

We are actively monitoring the situation and remain ready to take additional actions based on any new governmental guidance or recommendations. We are continuously reviewing and assessing the pandemic's impacts on our customers, our suppliers and our business so that we can seek to address the effect on our business and service our customers. It is unknown how long the pandemic will last, how many people are ultimately going to be affected by it, and the long-term implications to local or global economies. Equally, it is still not easily discernable at this time to understand the real effects of the COVID-19 pandemic on equipment supply, buyer demand, and potential pricing volatility, nor the potential impact on our buyers' ability to pay or secure financing. Additionally, there is a level of uncertainty on the impact COVID-19 may have on our third party vendors, partners and the service providers we currently do business with today. Their ability to partner with us may be temporarily or permanently constrained and for some, the business terms under which they continue to partner with us could change as they manage their business through these unprecedented times. As such, given the ongoing nature of this situation, the Company cannot reasonably estimate the future impacts of the COVID-19 pandemic on our business operations, results of operations, cash flows, financial performance or the ability to pay dividends.

Service Offerings

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 Auctions & Marketplace ("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, 2019, 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

We offer consignors several contract options to meet their individual needs and sale objectives. Through our A&M business, options include:

- Straight commission contracts, where the consignor receives the gross proceeds from the sale less a pre-negotiated commission rate;
- Guarantee contracts, where the consignor receives a guaranteed minimum amount plus an additional amount if proceeds exceed a specified level; and
- Inventory contracts, where we purchase, take custody, and hold used equipment and other assets before they are resold in the ordinary course of business.

We collectively refer to guarantee and inventory contracts as underwritten or "at-risk" contracts.

Value-added services

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 GTV and associated A&M segment revenues are affected by the seasonal nature of our business. GTV and A&M segment revenues tend to increase during the second and fourth calendar quarters, during which time we generally conduct more business than in the first and third calendar quarters. Given the operating leverage inherent in our business model, the second and fourth quarter also tend to produce higher operating margins, given the higher volume and revenue generated in those quarters.

The restrictions imposed and effects of the overall economic environment as a result of the COVID-19 pandemic may continue to impact these trends.

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 or guarantee commission contract, or an inventory contract at time of selling. Straight or guarantee commission contracts will result in the commission being recognized as service revenue, while inventory contracts will result in the gross transaction value 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 revenues and revenue from inventory sales can have a significant impact on revenue growth percentages.

Performance Overview

Net income attributable to stockholders increased 80% to \$45.4 million, compared to \$25.3 million in Q3 2019. Diluted earnings per share (“EPS”) attributable to stockholders increased 78% to \$0.41 per share in Q3 2020 as compared to Q3 2019. Diluted adjusted EPS attributable to stockholders* which excludes \$4.3 million of severance costs (\$3.2 million net of tax), increased 91% to \$0.44 per share at Q3 2020 as compared to Q3 2019.

Consolidated results:

- Total revenue in Q3 2020 increased 14% to \$331.5 million as compared to Q3 2019
 - Service revenue in Q3 2020 increased 25% to \$222.7 million as compared to Q3 2019
 - Inventory sales revenue in Q3 2020 decreased 2% to \$108.9 million as compared to Q3 2019
- Total selling, general and administrative expenses (“SG&A”) in Q3 2020 increased 18% to \$110.2 million as compared to Q3 2019
- Operating income in Q3 2020 increased 68% to \$67.4 million as compared to Q3 2019
- Net income in Q3 2020 increased 80% to \$45.5 million as compared to Q3 2019
- Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization* (“EBITDA”) (non-GAAP measure) in Q3 2020 increased 55% to \$91.9 million as compared to Q3 2019
- Cash provided by operating activities was \$265.6 million for the first nine months of 2020
- Cash on hand at Q3 2020 was \$590.3 million, of which \$470.3 million was unrestricted

Auctions & Marketplaces segment results:

- GTV in Q3 2020 increased 22% to \$1.3 billion compared to Q3 2019
- A&M total revenue in Q3 2020 increased 14% to \$297.8 million as compared to Q3 2019
 - Service revenue in Q3 2020 increased 26% to \$188.9 million as compared to Q3 2019
 - Inventory sales revenue in Q3 2020 decreased 2% to \$108.9 million as compared to Q3 2019

Other Services segment results:

- Other Services total revenue in Q3 2020 increased 18% to \$33.7 million as compared to Q3 2019
- RBFS revenue in Q3 2020 increased 19% to \$7.3 million as compared to Q3 2019

Other Company developments:

- In Q3 2020, 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
- On August 10, 2020, the Company announced the appointment of Kevin Geisner as Chief Strategy Officer
- On August 14, 2020, the Company amended and extended its credit facilities totaling US\$630.0 million with a syndicate of lenders
- On October 28, 2020, the Company entered into a definitive agreement to acquire Rouse Services, a privately held company that provides data intelligence and performance benchmarking for approximately \$275 million

Results of Operations

Financial overview

(in U.S. \$000's, except EPS and percentages)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Service revenue:						
Commissions	\$ 112,762	\$ 90,928	24 %	\$ 331,711	\$ 317,674	4 %
Fees	109,917	87,649	25 %	308,230	267,881	15 %
Total service revenue	222,679	178,577	25 %	639,941	585,555	9 %
Inventory sales revenue	108,863	111,219	(2)%	353,906	400,892	(12)%
Total revenue	331,542	289,796	14 %	993,847	986,447	1 %
Service revenue as a % of total revenue	67.2 %	61.6 %	560 bps	64.4 %	59.4 %	500 bps
Inventory sales revenue as a % of total revenue	32.8 %	38.4 %	(560)bps	35.6 %	40.6 %	(500)bps
Costs of services	39,223	36,382	8 %	118,026	122,719	(4)%
Cost of inventory sold	96,253	102,410	(6)%	320,972	372,703	(14)%
Selling, general and administrative expenses	110,186	93,691	18 %	309,203	286,589	8 %
Operating expenses	264,158	249,636	6 %	803,581	834,729	(4)%
Cost of inventory sold as a % of operating expenses	36.4 %	41.0 %	(460)bps	39.9 %	44.6 %	(470)bps
Operating income	67,384	40,160	68 %	190,266	151,718	25 %
Operating income margin	20.3 %	13.9 %	640 bps	19.1 %	15.4 %	370 bps
Net income attributable to stockholders	45,387	25,266	80 %	121,239	97,466	24 %
Adjusted net income attributable to stockholders*	48,605	25,266	92 %	130,685	97,466	34 %
Diluted earnings per share attributable to stockholders	\$ 0.41	\$ 0.23	78 %	\$ 1.10	\$ 0.89	24 %
Diluted adjusted EPS attributable to stockholders*	\$ 0.44	\$ 0.23	91 %	\$ 1.19	\$ 0.89	34 %
Effective tax rate	25.3 %	21.1 %	420 bps	28.6 %	22.8 %	580 bps
Total GTV	1,321,379	1,084,241	22 %	3,962,386	3,756,679	5 %
Service GTV	1,212,516	973,022	25 %	3,608,480	3,355,787	8 %
Service GTV as a % of total GTV - Mix	91.8 %	89.7 %	210 bps	91.1 %	89.3 %	180 bps
Service revenue as a % of total GTV- Rate	16.9 %	16.5 %	40 bps	16.2 %	15.6 %	60 bps
Inventory GTV	108,863	111,219	(2)%	353,906	400,892	(12)%
Inventory sales revenue as a % of total GTV-Mix	8.2 %	10.3 %	(210)bps	8.9 %	10.7 %	(180)bps

Total revenue

Total revenue increased 14% to \$331.5 million in Q3 2020 and increased 1% to \$993.8 million for the first nine months of 2020.

In Q3 2020, total service revenue increased 25% with commissions revenue increasing 24% and fees revenue increasing 25%. Service revenues comprise of commissions which are earned on Service GTV, and Fees which are earned on total GTV as well as from our Other Services such as RBFS and Ancillary Services.

In Q3 2020, Service GTV increased 25% to \$1.2 billion with increases across all regions, most notably in the US and Canada. The increase in the US Service GTV was primarily due to strong execution by the US strategic accounts and regional sales teams driving year-over-year positive growth at both our live and online auctions, with strong performance at our Fort Worth auction. In Canada, Service GTV increased mainly due to positive year-over-year performance at Canadian live auctions. Also, the quarter benefited from auction calendar movement, which resulted in the shifting of the Toronto and Lethbridge auctions to Q3 2020, partially offset by shifting the Grand Prairie auction from Q3 2020 to Q4 2020. The International sales team delivered higher Service GTV as earlier lockdown measures lifted and border restrictions eased in Europe.

In Q3 2020, fees revenue was up 25% driven by higher fees from total GTV which was up 22%. We also had positive performance in Ancillary as we earned more fees from refurbishing and transporting sellers' equipment driven by greater GTV activity in the US. Fees also grew due to RBFS as well as higher buyer fees on more favorable mix. Commissions revenue increased 24%, primarily in line with the increase in Service GTV.

For the first nine months of 2020, total service revenue increased 9% to \$639.9 million.

For the first nine months of 2020, Service GTV increased 8% with increases in the US and Canada offsetting lower performance in International. Service GTV in the US and Canada increased for the same reasons discussed above. This increase was partially offset by the non-repeat of the Columbus, Ohio auction in June 2019 and lower GTV in the Orlando live auction. International, mainly in Europe, was lower due to the impact of the COVID-19 pandemic.

For the first nine months of 2020, fee revenue increased 15%, partially related to the increase in total GTV of 5%. The remaining increase was driven by higher fees revenue from the full harmonization of buyer fees and change in our GTV mix resulting in improved buyer fee rate performance. We also recognized higher Other Segment fees and an increase in listing fees driven by greater online volume. This increase was partially offset by lower RB Logistics revenue earned due to lower activity in the International region during the first nine months of 2020. Commissions revenue increased 4% on Services GTV growth of 8%, with softer rate performance due to a higher proportion of GTV sourced from strategic accounts. This decrease was partially offset by improved guarantee rate performance in the US.

Inventory sales revenue as a percent of total GTV decreased to 8.2% from 10.3% in Q3 2020 and to 8.9% from 10.7% in the first nine months of 2020.

In Q3 2020, inventory sales revenue decreased 2% representing lower inventory sales volume. The lower sales volume was offset by strong year-over-year improvement in the inventory sales margin rate performance in the US and Canada. The decrease in the inventory volume was attributable to lower government surplus contracts in the US due to COVID-19 related government shutdowns and the shift of the Canadian Grand Prairie auction to Q4 2020. Partially offsetting these decreases was positive volume growth in International as border restrictions eased in Europe during Q3 2020 together with large private treaty deals in Australia.

For the first nine months of 2020, inventory sales revenue decreased 12% primarily related to lower inventory sales revenue in the International due to the severe impact of the COVID-19 pandemic in this region and selling through certain non-repeating large inventory deals from Europe and Asia in Q3 2019. In addition, there was a non-recurring large dispersal of pipeline equipment as part of the \$94 million Columbus, Ohio auction in June 2019, as well as a drop in revenue from our government surplus contracts due to government shutdowns in response to the COVID-19 pandemic. Inventory revenue was impacted by the auction calendar shifts discussed above. This decrease was partially offset by strong year-over-year performance in the US and Canada.

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, decreased to 15.4% in Q3 2020, compared to 17.8% in Q3 2019. For the first nine months of 2020, our underwritten contracts were 18.7% compared to 19.9% in the prior period.

Operating Income

For Q3 2020, operating income increased 68% or \$27.2 million to \$67.4 million, primarily related to the \$41.7 million increase in revenue and strong flow through to operating income. For the first nine months of 2020, operating income increased 25% or \$38.6 million to \$190.3 million, mainly due to lower operating expenses incurred during this period.

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 2020, income tax expense increased 128% to \$15.4 million and our effective tax rate increased 423 bps to 25.3% as compared to Q3 2019. For the nine months ended September 30, 2020, income tax expense increased 69% to \$48.7 million and our effective tax rate increased 585 bps to 28.6% as compared to the nine months ended September 30, 2019.

The increase in the effective tax rates for Q3 2020 as compared to Q3 2019 was primarily due to an increased proportion of income taxed in jurisdictions with higher tax rates, a greater income tax expense related to increases in tax uncertainties in 2020 than in 2019, and a higher estimate of non-deductible expenses. The higher estimate of non-deductible expenses is primarily due to final regulations published on April 8, 2020 by the United States Department of Treasury and the Internal Revenue Service ("IRS") that clarified income tax benefits related to hybrid financing arrangements would not be deductible ("Hybrid Interest").

The increase in the effective tax rate for the nine months ended September 30, 2020 was primarily due to Hybrid Interest benefits that are no longer deductible as of January 1, 2019. We had recorded approximately \$6,228,000 in Hybrid Interest benefits in the twelve months ended December 31, 2019. In addition, there was greater income tax expense related to increases in tax uncertainties in 2020 than in 2019, and a greater proportion of income taxed in jurisdictions with higher tax rates. Partially offsetting these increases was the reduced impact of the US tax reform.

Net income

In Q3 2020, net income attributable to stockholders increased 80% to \$45.4 million, primarily related to the higher operating income, lower interest expense, and partially offset by the increase in the effective tax rate as discussed above. For the first nine months of 2020, net income attributable to stockholders increased 24% to \$121.2 million, primarily for the same reasons noted above.

Diluted EPS

Diluted EPS attributable to stockholders increased 78% to \$0.41 per share for Q3 2020 and increased 24% to \$1.10 per share for the first nine months of 2020.

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	2020	2019	% Change 2020 over 2019
Period-end exchange rate			
Canadian dollar	0.7514	0.7551	(0)%
Euro	1.1732	1.0900	8 %
Australian dollar	0.7171	0.6751	6 %
Average exchange rate -Three months ended September 30,			
Canadian dollar	0.7506	0.7572	(1)%
Euro	1.1686	1.1116	5 %
Australian dollar	0.7148	0.6851	4 %
Average exchange rate -Nine months ended September 30,			
Canadian dollar	0.7391	0.7524	(2)%
Euro	1.1242	1.1236	0 %
Australian dollar	0.6764	0.6990	(3)%

For Q3 2020, foreign exchange had a favourable impact on total revenue and an unfavourable impact on expenses. These impacts were primarily due to the fluctuations in the Euro and Australian dollar exchange rates relative to the U.S. dollar. For the first nine months of 2020, foreign exchange had an unfavourable impact on total revenue and a favourable impact on expenses. These impacts were mainly due to the fluctuations in the Canadian and Australian dollar exchanges 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'. In Q3 2020 we excluded \$4.3 million (\$3.2 million net of tax) of severance costs related to the realignment of leadership to support the new global operations organization, in line with strategic growth priorities led by the new CEO. There were no adjusting items in Q3 2019.

Adjusted net income attributed to stockholders (non-GAAP measure) increased 92% to \$48.6 million in Q3 2020 and increased 34% to \$130.7 million for the first nine months of 2020.

Diluted Adjusted EPS attributable to stockholders (non-GAAP measure) increased 91% to \$0.44 per share in Q3 2020 and increased 34% to \$1.19 per share for the first nine months of 2020.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) (non-GAAP measure) increased 55% to \$91.9 million in Q3 2020 and increased 23% to \$255.1 million for the first nine months of 2020.

Debt at the end of Q3 2020, represented 3.8 times net income as at and for the 12 months ended September 30, 2020. This compares to debt at Q3 2019, which represented 5.2 times net income as at and for the 12 months ended September 30, 2019. The decrease in this debt/net income multiplier was primarily due to higher cash and cash equivalents balance and also lower debt balances at September 30, 2020 compared to September 30, 2019, as a result of our voluntary and mandatory debt repayments. The adjusted net debt/adjusted EBITDA (non-GAAP measure) was 0.5 times as at and for the 12 months ended September 30, 2020 compared to 1.4 times as at and for the 12 months ended September 30, 2019.

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, 2019.

(in U.S \$000's)	Three months ended September 30, 2020			Nine months ended September 30, 2020		
	A&M	Other	Consolidated	A&M	Other	Consolidated
Service revenue	\$ 188,949	\$ 33,730	\$ 222,679	\$ 543,340	\$ 96,601	\$ 639,941
Inventory sales revenue	108,863	—	108,863	353,906	—	353,906
Total revenue	297,812	33,730	331,542	897,246	96,601	993,847
Ancillary and logistical service expenses	—	16,550	16,550	—	45,368	45,368
Other costs of services	21,733	940	22,673	69,018	3,640	72,658
Cost of inventory sold	96,253	—	96,253	320,972	—	320,972
SG&A expenses	103,933	6,253	110,186	290,077	19,126	309,203
Segment profit	75,893	9,987	85,880	\$ 217,179	\$ 28,467	\$ 245,646

(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

Auctions and Marketplaces Segment

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

(in U.S. \$000's, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
			2020 over 2019			2020 over 2019
Service revenue	\$ 188,949	\$ 150,093	26 %	\$ 543,340	\$ 494,580	10 %
Inventory sales revenue	108,863	111,219	(2)%	353,906	400,892	(12)%
Total revenue	297,812	261,312	14 %	897,246	895,472	0 %
A&M service revenue as a % of total A&M revenue	63.4 %	57.4 %	600 bps	60.6 %	55.2 %	540 bps
Inventory sales revenue as a % of total A&M revenue	36.6 %	42.6 %	(600)bps	39.4 %	44.8 %	(540)bps
Costs of services	21,733	21,431	1 %	69,018	74,799	(8)%
Cost of inventory sold	96,253	102,410	(6)%	320,972	372,703	(14)%
SG&A expenses	103,933	88,138	18 %	290,077	268,786	8 %
A&M segment expenses	\$ 221,919	\$ 211,979	5 %	\$ 680,067	\$ 716,288	(5)%
Cost of inventory sold as a % of A&M expenses	43.4 %	48.3 %	(490)bps	47.2 %	52.0 %	(480)bps
A&M segment profit	\$ 75,893	\$ 49,333	54 %	\$ 217,179	\$ 179,184	21 %
Total GTV	1,321,379	1,084,241	22 %	3,962,386	3,756,679	5 %
A&M service revenue as a % of total GTV- Rate	14.3 %	13.8 %	50 bps	13.7 %	13.2 %	50 bps

Gross Transaction Value

In response to the COVID-19 pandemic, beginning in March 2020, we transitioned all our traditional live on site auctions to online bidding utilizing our existing online bidding technology and simultaneously ceased all public attendance at our live auction theaters. Our core online auction channels (IronPlanet.com, GovPlanet.com, Marketplace-E) continued to operate as usual.

To facilitate the live auction process transition to a virtual platform and under strict safety guidelines, we enabled equipment drop off at our physical yards prior to the online event, with buyers able to conduct inspections pre-auction and collect equipment post auction. In addition, where auctioneers were not able to attend a physical site, we used Time Auctioned Lots (TAL) solutions for selected International and on-the-farm agriculture events.

GTV recognized through online bidding at live on site auctions and TAL have been counted towards the Live on site auction metrics. The percentage of live GTV dollars that transacted on TAL rose to 30% in Q3 2020, up from 10% in the prior year, and increased to 25%, up from 8% in the first nine months of 2020.

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 period.

GTV by Channel

(in U.S. \$000's, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Live on site auctions	\$ 971,904	\$ 825,294	18 %	\$ 3,062,963	\$ 3,058,087	0 %
Percentage of total	73.6 %	76.1 %		77.3 %	81.4 %	
Online marketplaces including featured ⁽¹⁾ and other ⁽²⁾	349,475	258,947	35 %	899,423	698,592	29 %
Percentage of total	26.4 %	23.9 %		22.7 %	18.6 %	
GTV	\$ 1,321,379	\$ 1,084,241	22 %	\$ 3,962,386	\$ 3,756,679	5 %
Percentage of total GTV purchased by online buyers						
Live on site auctions	100 %	58 %	4200 bps	86 %	53 %	3300 bps
Online marketplaces including featured ⁽¹⁾ and other ⁽²⁾	100 %	100 %	0 bps	100 %	100 %	0 bps
Total GTV	100 %	68 %	3200 bps	89 %	62 %	2700 bps

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

(2) This includes GTV from Marketplace-E.

GTV increased 22% to \$1.3 billion in Q3 2020 and increased 5% to \$4.0 billion for the first nine months of 2020.

For Q3 2020, live on site GTV increased 18% to \$971.9 million. The 18% increase in GTV was primarily due to strong execution of the US strategic accounts and regional sales teams, strong year-over-year growth performance across regions as earlier lockdown measures lifted and border restrictions eased particularly in the International region, and live auction calendar shifts as discussed below. Partially offsetting these increases, Australia switched their selling platform from Live to Online, which transferred GTV to the online channel.

Due to the COVID-19 pandemic, we postponed our (1) Caorso, Italy, (2) Ocana, Spain, and (3) Polotitlan, Mexico auctions from the first half of 2020 to Q3 2020. We also had some auction calendar shifts in Canada, unrelated to the COVID-19 pandemic, where we shifted the Toronto and Lethbridge into Q3 2020, offset by a Grand Prairie auction that will be held in Q4 2020.

For the first nine months of 2020, live on site GTV was flat at \$3.1 billion. This was primarily driven by strong execution of the US strategic accounts and regional sales teams, and positive year-over-year growth performance in US and Canada, offset by Australia switching their selling platform from Live to Online and softness in the International region due to the COVID-19 pandemic.

For Q3 2020, online marketplace GTV increased 35% primarily due to increased online performance driven from strong execution by the US strategic accounts and regional sales teams, and the shift of our Australia live on site auctions to our online platform. This increase was partially offset by lower volume in International Marketplace-E.

For the first nine months of 2020, online marketplaces GTV increased 29% for the same reasons discussed above.

Online bidding

Across all channels, 100% of total GTV was purchased by online buyers in Q3 2020 compared to 68% in Q3 2019. For the first nine months of 2020, GTV from online buyers was 89% compared to 62% in the comparable prior year period. The increase in internet bidders and online buyers is a direct impact of the COVID-19 pandemic, as we pivoted to 100% online bidding at our live auctions where onsite attendance was not permitted. Prior to the COVID-19 pandemic restrictions, 67% of total GTV was purchased by online buyers.

Industrial Live On Site Metrics

Total industrial live on site auction metrics

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Number of auctions	42	46	(9)%	123	140	(12)%
Bidder registrations	231,500	165,500	40 %	677,100	508,750	33 %
Consignors	15,100	14,000	8 %	40,450	43,000	(6)%
Buyers	40,000	34,800	15 %	114,250	109,050	5 %
Lots	115,350	98,400	17 %	312,450	305,150	2 %

In Q3 2020, we held four fewer industrial live on site auctions, yet our GTV from live on site auctions increased 18%, primarily due to regional combined auctions in the US. For the first nine months of 2020, we held 12% or 17 less live on site auctions.

In Q3 2020, the total number of industrial lots increased 17% to 115,350 and the total number of lots including agricultural lots increased 17% to 116,750. For the first nine months of 2020, total number of industrial lots increased 2% to 312,450 and the total number of lots including agricultural lots increased 1% to 329,900 lots.

GTV on a per lot basis generated at our industrial live on site auctions decreased 1% to \$8,150 in Q3 2020 compared to \$8,300 in Q3 2019. For the first nine months of 2020, the GTV on a per lot basis generated at our industrial live on site auctions decreased 1.5% to \$9,390 compared to \$9,500 in the prior year.

12 months average metrics per industrial live on site auction

(in U.S. \$000's, except percentages)	12 months ended September 30,		
	2020	2019	% Change 2020 over 2019
GTV	\$ 22.5 million	\$ 20.4 million	10 %
Bidder registrations	5,090	3,525	44 %
Consignors	318	300	6 %
Lots	2,429	2,118	15 %

For the 12 months ended September 30, 2020, we saw a 10% increase in average GTV per industrial auction compared to the prior year period, and a 44% increase in average bidder registration per auction representing higher demand from buyers.

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, 2020 was \$13.0 million per Revenue Producer compared to \$11.9 million per Revenue Producer for the trailing 12-month period ended September 30, 2019.

A&M revenue

Total A&M revenue increased 14% to \$297.8 million in Q3 2020 and remained flat at \$897.2 million for the first nine months of 2020.

A&M revenue by geographical region are presented below:

(in U.S. \$000's)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
United States						
Service revenue	121,810	95,172	28 %	\$ 357,944	\$ 308,769	16 %
Inventory sales revenue	40,399	48,600	(17)%	169,543	204,332	(17)%
A&M revenue- United States	162,209	143,772	13 %	527,487	513,101	3 %
Canada						
Service revenue	40,591	33,793	20 %	126,508	119,313	6 %
Inventory sales revenue	7,725	13,493	(43)%	35,046	30,651	14 %
A&M revenue- Canada	48,316	47,286	2 %	161,554	149,964	8 %
International						
Service revenue	26,548	21,128	26 %	58,888	66,498	(11)%
Inventory sales revenue	60,739	49,126	24 %	149,317	165,909	(10)%
A&M revenue- International	87,287	70,254	24 %	208,205	232,407	(10)%
Total						
Service revenue	188,949	150,093	26 %	543,340	494,580	10 %
Inventory sales revenue	108,863	111,219	(2)%	353,906	400,892	(12)%
A&M total revenue	297,812	261,312	14 %	897,246	895,472	0 %

United States

In Q3 2020, service revenue increased 28% primarily due to an increase in commission revenue driven by a higher volume on Service GTV growth, with strong execution from the US strategic accounts and regional sales teams, and higher rates on our guarantee contracts. Service revenue in the US also increased due to fees earned from higher total GTV and an increase in listing fees on greater online volume.

In Q3 2020, inventory sales revenue decreased 17% resulting from lower inventory earned from government surplus contracts due to the COVID-19 pandemic government shutdowns, which ceased certain shipments of surplus contract inventories.

For the first nine months of 2020, service revenue increased 16% primarily due to higher fees revenue earned on total GTV, harmonization of buyer fees, change in our GTV mix resulting in improved buyer fee rate performance, and other auction service fees earned driven by higher GTV. The increase in commissions is largely driven by higher volumes on Service GTV and higher rates earned on our guarantee contracts. This increase was partially offset by softer commission rate performance from a higher proportion of GTV sourced from strategic accounts. Inventory sales revenue decreased 17% due to the non-recurring large dispersal of pipeline equipment as part of the \$94 million Columbus, Ohio auction in June 2019, and lower inventory revenue earned through our government surplus contracts as discussed above.

Canada

In Q3 2020, service revenue increased 20% primarily due to higher commissions and fees revenue driven by higher total GTV. Canada also earned higher fees revenue due to a greater proportion of small value lots. Inventory sales revenue decreased 43% primarily due to the shift of Grand Prairie auction from Q3 2020 to Q4 2020.

For the first nine months of 2020, service revenue increased 6% due to the full harmonization of buyer fees, fees earned on higher total GTV, and higher commissions revenue driven by Service GTV growth. Inventory sales revenue increased 14% to \$35.0 million primarily due to year-over-year growth performance at our Western Canada auctions, partially offset by the Grand Prairie auction shift as discussed above.

International

In Q3 2020, service revenue increased 26% primarily due to higher fees and commissions revenue driven by services GTV growth and a change in our GTV mix resulting in improved buyer fee rate performance. Inventory sales revenue increased 24% driven by large private treaty deals closed in Australia and strong performance at our Maltby and Dubai auctions as border restrictions eased in Q3 2020, partially offset by the non-repeat of the 2019 Narita auction.

For the first nine months of 2020, service revenue decreased 11% with lower commissions earned on lower GTV, partially offset by higher fees revenue as a result of the buyer fee harmonization. Inventory sales revenue decreased 10% due to the unfavourable performance as this region was severely impacted by the COVID-19 pandemic, and the non-repeat of supply contracts in Europe and Asia that were garnered in a more favourable supply environment in the first nine months of 2019.

Costs of services

A&M costs of services increased 1% to \$21.7 million in Q3 2020 compared to Q3 2019. This increase is primarily driven by the 22% increase in total GTV, offset by significant cost reductions in employee compensation, and travel, advertising and promotion as a result of our response to the COVID-19 pandemic. Our response included transitioning our live on site auctions to online bidding, utilizing TAL solutions for selected International and on-the-farm agricultural events, and implementing travel restrictions.

For the first nine months of 2020, A&M costs of services decreased 8% to \$69.0 million for the same reasons noted above. In addition, the decrease was partially offset by additional facilities costs incurred to support our Q1 2020 Leake auction and expenses incurred to support our government surplus contracts. We also incurred lower net fees related to referral payments.

Cost of inventory sold

A&M cost of inventory sold decreased 6% to \$96.3 million in Q3 2020 compared to Q3 2019, primarily in line with lower activity in inventory sales revenue. Cost of inventory sold decreased at a higher rate than the decrease of inventory sales revenue, indicating an increase in the revenue margin. The margin improved due to rate improvement in US and Canada.

For the first nine months of 2020, A&M cost of inventory sold decreased 14% to \$321.0 million due to the reasons noted above, and we also had rate improvement in International during this period.

SG&A expenses

A&M SG&A expenses increased 18% to \$103.9 million in Q3 2020 compared to Q3 2019. The increase was primarily due to \$8.8 million higher short-term and long-term incentive expenses driven by strong performance, higher headcount to support our growth initiatives, and a one-time \$4.3 million severance costs related to the realignment of leadership to support the new global operations organization, in line with strategic growth priorities led by the new CEO. These increases were partially offset by lower SG&A expenses related to lower travel, advertising, and promotion costs as we implemented travel restrictions.

For the first nine months of 2020, A&M segment SG&A expenses increased 8% to \$290.1 million primarily due to the same reasons noted above.

Other Services Segment

(in U.S. \$000's)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Service revenue	\$ 33,730	\$ 28,484	18 %	\$ 96,601	\$ 90,975	6 %
Ancillary and logistical service expenses	16,550	13,285	25 %	45,368	43,516	4 %
Other costs of services	940	1,666	(44)%	3,640	4,404	(17)%
SG&A expenses	6,253	5,553	13 %	19,126	17,803	7 %
Other services profit	\$ 9,987	\$ 7,980	25 %	\$ 28,467	\$ 25,252	13 %

In Q3 2020, Other Services revenue increased 18% to \$33.7 million primarily due to an increase in Ancillary revenue of \$4.7 million and RBFS revenue of \$1.1 million. In the first nine months of 2020, Other Services revenue increased 6% to \$96.6 million due to higher revenue in Ancillary of \$5.5 million and RBFS of \$2.6 million. This increase was partially offset by lower revenue from RB Logistics of \$2.6 million caused by lower inventory sales in Europe requiring logistics.

Ancillary revenue was higher due to fees earned on refurbishing and transporting sellers' equipment driven by higher GTV activity.

RBFS revenue increased 19% in Q3 2020, driven by an increase in funded volume and the rate of fees earned from facilitating financing arrangements. In Q3 2020, our funded volume, which represents the amount of lending brokered by RBFS, increased 11% to \$117.0 million in Q3 2020, and increased 12% when excluding the impact of foreign exchange. In the first nine months of 2020, our funded volume increased 1% to \$374.5 million, and increased 3% when excluding the impact of foreign exchange. Credit

approvals were tightened by lenders in Q3 2020 compared to Q3 2019 due to the economic uncertainties during the COVID-19 pandemic.

In Q3 2020, Other Services profit increased 25% to \$10.0 million driven by our Ancillary, Mascus and RBFS operations. In the first nine months of 2020, Other Services profit increased 13% to \$28.5 million primarily due to the same reasons noted above. The lower revenue from RB Logistics resulted in a similar magnitude decrease in logistical service expenses.

Liquidity and Capital Resources

Our principal sources of liquidity are our cash provided by operating activities and borrowings from our revolving credit facilities, which we renewed on August 14, 2020.

In the first nine months of 2020, our operational liquidity was not materially impacted by the COVID-19 pandemic. Today we believe that our existing working capital and availability under our credit facilities are sufficient to satisfy our present operating requirements and contractual obligations. With the future uncertainty, we will continue to evaluate the nature and extent of any impacts to our liquidity as events unfold. Our future growth strategies continue to include but are not limited to the development of our A&M, RBFS, and Mascus operating segments, as well as other growth opportunities including mergers and acquisitions.

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.

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

Our cash, cash equivalents, and restricted cash was \$590.3 million at September 30, 2020, a 31% increase over the \$451.4 million balance at September 30, 2019. The \$24.2 million of cash generated over the comparative period is detailed in the following table:

(in U.S. \$000's)	Nine months ended September 30,		
	2020	2019	% Change 2020 over 2019
Cash provided by (used in):			
Operating activities	\$ 265,551	\$ 309,105	(14)%
Investing activities	(10,192)	(20,682)	(51)%
Financing activities	(91,142)	(143,953)	(37)%
Effect of changes in foreign currency rates	5,826	1,350	332 %
Net increase in cash, cash equivalents, and restricted cash	<u>\$ 170,043</u>	<u>\$ 145,820</u>	<u>17 %</u>

Net cash provided by operating activities decreased \$43.6 million in the first nine months of 2020. This decrease was primarily due to a net negative impact in our operating assets and liabilities, partially offset by an increase in our net income over the comparative period. We saw net negative cash flows from changes in our operating assets and liabilities primarily driven by the timing of auctions and changes in inventory levels over the comparative period. At the end of 2018, we saw particularly high levels of inventory in Europe, which turned over in the first nine months of 2019. These cash outflows were partially offset by a net positive movement in our trade and other payables related to the timing of employee compensation payments, as well as the timing of payments related to our GovPlanet business.

Net cash used in investing activities decreased \$10.5 million in the first nine months of 2020. This decrease was primarily due to \$10.7 million more net proceeds on disposal of property, plant and equipment over the comparative period, which included \$15.5 million on the sale of land in the United States, as well as \$4.2 million on the distribution of equity investments in the first nine months of 2020. This increase was partially offset by a \$4.4 million increase in property, plant and equipment and intangible asset additions over the comparative period.

Net cash used in financing activities decreased \$52.8 million in the first nine months of 2020. This decrease was driven by a \$27.9 million increase in net proceeds from short-term debt draws, primarily to fund inventory purchases in Australia. In addition, we raised \$27.8 million more cash from the issuance of share capital related to stock option exercises in the first nine months of 2020 over the

comparative period in 2019. Further, we had \$17.9 million fewer repayments of long-term debt, primarily due to \$20.0 million of voluntary term loan repayments in the first nine months of 2019 compared to no voluntary debt repayments in the first nine months of 2020. Partially offsetting this was an increase of \$11.2 million in share repurchases in the first nine months of 2020 versus the first nine months of 2019.

Dividend information

We declared and paid a regular cash dividend of \$0.20 per common share for the quarter ended September 30, 2019, December 31, 2019, and March 31, 2020. We declared a dividend of \$0.22 per common share for the quarter ended June 30, 2020. We have declared, but not yet paid, a dividend of \$0.22 per common share for the quarter ended September 30, 2020. 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 51.7% for the 12 months ended September 30, 2020 from 60.5% for the 12 months ended September 30, 2019. 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 50.0% for the 12 months ended September 30, 2020 from 60.5% for the 12 months ended September 30, 2019.

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 250 bps to 11.1% for the 12-month period ending September 30, 2020 from 8.6% for the 12-month period ending September 30, 2019. 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 290 bps to 11.5% during the 12 months ended September 30, 2020 compared to 8.6% for the 12 months period ending September 30, 2019.

Credit facilities

On August 14, 2020, we amended the Credit Agreement dated October 27, 2016, totaling US\$630.0 million with a syndicate of lenders comprising:

- (1) Multicurrency revolving facilities of up to US\$530 Million (the “Revolving Facilities”), and,
- (2) A delayed-draw term loan facility of up to US\$100 Million (the “Delayed-Draw Facility” and together with the Revolving Facilities, the “Facilities”).

The amendments, among other things, (i) extended the maturity date of the Facilities from October 27, 2021 to October 27, 2023, (ii) increased the applicable margin for base rate loans and LIBOR loans by 0.50% at each pricing tier level, (iii) increased the applicable percentage per annum used to calculate the commitment fee in respect of the unused commitments under the Revolving Facilities by 0.10% at each pricing tier level, and (iv) increased the aggregate amount available under the Revolving Facilities from \$490.0 million to \$530.0 million.

Credit facilities at September 30, 2020 and December 31, 2019 were as follows:

<u>(in U.S. \$000's, except percentages)</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>% Change</u>
<i>Committed</i>			
Term loan facility	\$ 96,782	\$ 155,355	(38)%
Revolving credit facilities	540,000	500,000	8 %
Total credit facilities	<u>\$ 636,782</u>	<u>\$ 655,355</u>	<u>(3)%</u>
<i>Unused</i>			
Revolving credit facilities	469,407	489,937	(4)%
Total credit facilities unused	<u>\$ 469,407</u>	<u>\$ 489,937</u>	<u>(4)%</u>

Debt covenants

We were in compliance with all financial and other covenants applicable to our credit facilities at September 30, 2020. Our debt covenants did not change as a result of amending our Credit Agreement.

Our ability to borrow under our syndicated revolving credit facility is subject to compliance with a consolidated leverage ratio covenant and a consolidated interest coverage ratio covenant. In the event of sustained deterioration of global markets and economies, we expect the covenants pertaining to our leverage ratio would be the most restrictive to our ability to access funding under our credit agreement. We continue to assess the impact of the COVID-19 pandemic on our business and evaluate courses of action to maintain current levels of liquidity and compliance with our debt covenants.

Share repurchase program

On May 8, 2019, our Board of Directors authorized a share repurchase program for the repurchase of up to \$100 million worth of our common shares, approved by the Toronto Stock Exchange, over a total period of 12 months. In 2020, we repurchased 1,525,312 common shares for \$53,170,000 as part of this program until it ended on May 8, 2020.

On August 5, 2020, our Board of Directors authorized a share repurchase program for the repurchase of up to \$100.0 million worth of our common shares, approved by the Toronto Stock Exchange, over a period of 12 months, ending August 23, 2021. No share repurchases were made during the three months ended September 30, 2020.

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

In preparing our consolidated financial statements in conformity with US GAAP, we must make decisions that impact the reported amounts and related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgments based on our understanding and analysis of the relevant circumstances and historical experience. The COVID-19 pandemic resulted in significant global economic disruption, which can cause a greater degree of uncertainty around our long-term cash projections. As a result, we have further evaluated our judgments and estimates, particularly in the following areas:

- Recoverability of goodwill;
- Recoverability of long-lived and indefinite-lived assets;
- Recoverability of trade and other receivables; and
- Valuation of inventories.

The following discussion of critical accounting policies and estimates is intended to supplement the significant accounting policies presented in the notes to our consolidated financial statements included in “Part II, Item 8: Financial Statements and Supplementary Data” presented in our Annual Report on Form 10-K, which summarize the accounting policies and methods used in the preparation of those consolidated financial statements. The policies and the estimates discussed below are included here because they require more significant judgments and estimates in the preparation and presentation of our consolidated financial statements than other policies and estimates. Actual amounts could differ materially from those estimated by us at the time our consolidated financial statements are prepared.

Recoverability of goodwill

We perform impairment tests on goodwill and indefinite-lived intangible assets on an annual basis in accordance with US GAAP, or more frequently if events or changes in circumstances indicate that those assets might be impaired. Goodwill is tested for impairment at a reporting unit level, which is at the same level or one level below an operating segment. We determined our reporting units to be at the same level as our operating segments for A&M and Mascus.

In accordance with Accounting Standards Update (“ASU”) 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”), we begin with a qualitative assessment to determine whether a quantitative impairment test is necessary. If we determine, after performing an assessment based on the qualitative factors, that the fair value of the

reporting unit is more likely than not less than the carrying amount, or that a fair value of the reporting unit substantially in excess of the carrying amount cannot be assured, then a quantitative impairment test would be performed. The quantitative test for impairment requires management to make judgments relating to future cash flows, growth rates and economic and market conditions. These evaluations are based on determining the fair value of a reporting unit or asset using a valuation method such as discounted cash flow or a relative, market-based approach. Historically, our reporting units have generated sufficient returns to recover the cost of goodwill.

A&M reporting unit

For the nine months ended September 30, 2020, we performed a qualitative assessment of the A&M reporting unit with consideration of the current global economic downturn as a result of the COVID-19 pandemic and we concluded there were no indicators of impairment that existed.

Mascus reporting unit

For the nine months ended September 30, 2020, we performed a qualitative assessment of the Mascus reporting unit with consideration of the current global economic downturn as a result of the COVID-19 pandemic and we concluded there were no indicators of impairment that existed.

Recoverability of long-lived and indefinite-lived assets

We test long-lived assets, including amortizable intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of impairment testing, long-lived assets are grouped and tested for recoverability at the lowest level that generates independent cash flows. As a result of the COVID-19 pandemic, we reviewed for any events or changes in circumstances that indicate the carrying amount of our long-lived assets may not be recoverable. Our assessment concluded that despite the economic impact of the COVID-19 pandemic, we believe the carrying amounts of our long-lived assets are recoverable as at September 30, 2020.

Indefinite-lived intangible assets are tested at least annually for impairment, and between annual tests if indicators of potential impairment exist. Amid the COVID-19 pandemic, we determined there are potential indicators of impairment and prepared an assessment of qualitative factors to determine the existence of events or circumstances that would indicate whether it is more likely than not that the carrying amount of the indefinite-lived intangible asset is less than its fair value. Based on our qualitative assessment, we determined there were no indicators of impairment of our indefinite-lived intangible assets at September 30, 2020.

Recoverability of trade receivables

Our trade receivables are generally secured by the equipment, and we determined the COVID-19 pandemic did not have a significant impact on our allowance for expected credit losses. Refer to Note 11 of the financial statements, Trade Receivables, regarding the activity in the allowance for expected credit losses.

Valuation of inventories

Inventory consists of equipment and other assets purchased for resale in an upcoming live on site auction or online marketplace event. We typically purchase inventory for resale through a competitive process where the consignor or vendor has determined this to be the preferred method of disposition through the auction process. We value our Inventory at the lower of cost and net realizable value where net realizable value represents the expected sale price upon disposition less make-ready costs and the costs of disposal and transportation.

For the nine months ended September 30, 2020, we reviewed our inventories balance to ensure that it is recorded at the lower of cost and net realizable value. Specific consideration was given to the impact on the net realizable value of our inventories balance given the global economic downturn triggered by the COVID-19 pandemic.

Adoption of New Standards

Topic 326

Effective January 1, 2020, we adopted Topic 326, which replaces the ‘incurred loss methodology’ credit impairment model with a new forward-looking methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The adoption of the standard had no material effect on the carrying values of our financial assets on the transition date. Periods prior to January 1, 2020 that are presented for comparative purposes have not been adjusted.

Topic 848

Effective January 1, 2020, we adopted Topic 848, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides relief for companies preparing for discontinuation of reference rates such as LIBOR. This guidance is effective immediately and can be applied until December 31, 2022. Our use of LIBOR is applicable on short term drawings on the committed revolving credit facilities in certain jurisdictions. If applicable, we will use the optional expedients available when reference rate changes occur.

Topic 842

Effective January 1, 2019, we adopted ASU No. 2016-02, *Leases (Topic 842)*. Refer to Note 18 of the financial statements, Leases, for a discussion of our lease accounting.

Other

In addition, effective January 1, 2020, we adopted ASU 2018-15, Intangibles – Goodwill and Other Internal-Use Software (Subtopic 350-40), *Customer's Accounting for implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* on a prospective basis. The adoption of ASU 2018-15 on January 1, 2020 using the prospective transition approach did not result in a material impact to the consolidated financial statements.

For a discussion of our new and amended accounting standards refer to Note 1 of the financial statements, Summary of significant accounting policies.

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

Adjusted 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, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Operating income	\$ 67,384	\$ 40,160	68 %	\$ 190,266	\$ 151,718	25 %
Pre-tax adjusting items:						
Severance	4,283	—	100 %	4,283	—	100 %
Adjusted operating income*	\$ 71,667	\$ 40,160	78 %	\$ 194,549	\$ 151,718	28 %

(1) Please refer to page 48 for a summary of adjusting items during the three and nine months ended September 30, 2020 and September 30, 2019.

(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, and percentages)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Net income attributable to stockholders	\$ 45,387	\$ 25,266	80 %	\$ 121,239	\$ 97,466	24 %
Pre-tax adjusting items:						
Severance	4,283	—	100 %	4,283	—	100 %
Current income tax effect of adjusting items:						
Severance	(1,065)	—	(100)%	(1,065)	—	(100)%
Current income tax adjusting item:						
Change in uncertain tax provision	—	—	— %	766	—	100 %
Deferred tax adjusting item:						
Change in uncertain tax provision	—	—	— %	5,462	—	100 %
Adjusted net income attributable to stockholders*	\$ 48,605	\$ 25,266	92 %	\$ 130,685	\$ 97,466	34 %
Weighted average number of dilutive shares outstanding	110,369,718	109,381,173	1 %	110,060,712	109,634,195	0 %
Diluted earnings per share attributable to stockholders	\$ 0.41	\$ 0.23	78 %	\$ 1.10	\$ 0.89	24 %
Diluted adjusted EPS attributable to Stockholders*	\$ 0.44	\$ 0.23	91 %	\$ 1.19	\$ 0.89	34 %

- (1) Please refer to page 48 for a summary of adjusting items during the three and nine months ended September 30, 2020 and September 30, 2019.
- (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 measures in, or calculated from, our consolidated income statements:

(in U.S. \$000's, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Net income	\$ 45,490	\$ 25,272	80 %	\$ 121,438	\$ 97,575	24 %
Add: depreciation and amortization expenses	18,436	17,692	4 %	55,586	51,919	7 %
Add: interest expense	8,737	10,090	(13)%	26,801	31,023	(14)%
Less: interest income	(510)	(517)	(1)%	(1,775)	(2,435)	(27)%
Add: income tax expense	15,437	6,760	128 %	48,741	28,800	69 %
Pre-tax adjusting items:						
Severance	4,283	—	100 %	4,283	—	100 %
Adjusted EBITDA*	\$ 91,873	\$ 59,297	55 %	\$ 255,074	\$ 206,882	23 %

- (1) Please refer to page 48 for a summary of adjusting items during the three and nine months ended September 30, 2020 and September 30, 2019.
- (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, except percentages)	As at and for the 12 months ended September 30,		
	2020	2019	% Change 2020 over 2019
Short-term debt	\$ 20.3	\$ 5.8	250 %
Long-term debt	632.6	689.3	(8)%
Debt	652.9	695.1	(6)%
Less: Cash and cash equivalents	(470.3)	(309.6)	52 %
Adjusted net debt*	182.6	385.5	(53)%
Net income	\$ 173.0	\$ 133.0	30 %
Add: depreciation and amortization expenses	74.2	69.1	7 %
Add: interest expense	37.1	42.8	(13)%
Less: interest income	(3.1)	(3.3)	(6)%
Add: income tax expense	61.6	40.7	51 %
Pre-tax adjusting items:			
Share-based payment expense recovery	(4.1)	—	(100)%
Severance	4.3	—	100 %
Adjusted EBITDA*	\$ 343.0	\$ 282.3	22 %
Debt/net income	3.8 x	5.2 x	(27)%
Adjusted net debt*/adjusted EBITDA*	0.5 x	1.4 x	(64)%

- (1) Please refer to page 48 for a summary of adjusting items during the trailing 12-months ended September 30, 2020 and September 30, 2019.
- (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, except percentages)	12 months ended September 30,		
	2020	2019	% Change 2020 over 2019
Cash provided by operating activities	\$ 289.2	\$ 356.2	(19)%
Property, plant and equipment additions	16.5	10.4	59 %
Intangible asset additions	28.9	25.1	15 %
Proceeds on disposition of property plant and equipment	(16.6)	(13.7)	21 %
Net capital spending	\$ 28.8	\$ 21.8	32 %
OFCF*	\$ 260.4	\$ 334.4	(22)%

- (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, except percentages)	12 months ended September 30,		
	2020	2019	%Change 2020 over 2019
Dividends paid to stockholders	\$ 89.4	\$ 80.4	11 %
Net income attributable to stockholders	\$ 172.8	\$ 133.0	30 %
Pre-tax adjusting items:			
Share-based payment expense recovery	(4.1)	—	(100)%
Severance	4.3	—	100 %
Current income tax effect of adjusting items:			
Severance	(1.1)	—	(100)%
Deferred income tax effect of adjusting items:			
Share-based payment expense recovery	0.7	—	100 %
Current income tax adjusting item:			
Change in uncertain tax provision	0.8	—	100 %
Deferred tax adjusting item:			
Change in uncertain tax provisions	5.5	—	100 %
Adjusted net income attributable to stockholders*	\$ 178.9	\$ 133.0	35 %
Dividend payout ratio	51.7 %	60.5 %	(880)bps
Adjusted dividend payout ratio*	50.0 %	60.5 %	(1050)bps

- (1) Please refer to page 48 for a summary of adjusting items during the trailing 12-months ended September 30, 2020 and September 30, 2019.
- (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:

	<u>As at and for the 12 months ended September 30,</u>		
(in U.S. \$millions, except percentages)	2020	2019	2020 over 2019
Net income attributable to stockholders	\$ 172.8	\$ 133.0	30 %
Pre-tax adjusting items:			
Share-based payment expense recovery	(4.1)	—	(100)%
Severance	4.3	—	100 %
Current income tax effect of adjusting items:			
Severance	(1.1)	—	(100)%
Deferred income tax effect of adjusting items:			
Share-based payment expense recovery	0.7	—	0 %
Current income tax adjusting item:			
Change in uncertain tax provision	0.8	—	100 %
Deferred tax adjusting item:			
Change in uncertain tax provisions	5.5	—	100 %
Adjusted net income attributable to stockholders*	<u>\$ 178.9</u>	<u>\$ 133.0</u>	<u>35 %</u>
Opening long-term debt	\$ 689.3	\$ 751.8	(8)%
Ending long-term debt	<u>632.6</u>	<u>689.3</u>	<u>(8)%</u>
Average long-term debt	<u>661.0</u>	<u>720.6</u>	<u>(8)%</u>
Opening stockholders' equity	\$ 838.2	\$ 815.5	3 %
Ending stockholders' equity	<u>959.5</u>	<u>838.2</u>	<u>14 %</u>
Average stockholders' equity	<u>898.9</u>	<u>826.9</u>	<u>9 %</u>
Average invested capital	<u>\$ 1,559.9</u>	<u>\$ 1,547.5</u>	<u>1 %</u>
Return on average invested capital	11.1 %	8.6 %	250 bps
ROIC*	<u>11.5 %</u>	<u>8.6 %</u>	<u>290 bps</u>

- (1) Please refer to page 48 for a summary of adjusting items during the trailing 12-months ended September 30, 2020 and September 30, 2019.
- (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, 2020 were:

Recognized in the third quarter of 2020

- \$4.3 million (\$3.2 million after tax, or \$0.03 per diluted share) of severance costs related to the realignment of leadership to support the new global operations organization, in line with strategic growth priorities led by the new CEO.

Recognized in the second quarter of 2020

- \$6.2 million (\$0.06 per diluted share) in current and deferred income tax expense related to an unfavourable adjustment to reflect final regulations published regarding hybrid financing arrangements.

Recognized in the first quarter of 2020

- There were no adjustment items recognized in the first quarter of 2020.

Recognized in the fourth quarter of 2019

- \$4.1 million (\$3.4 million after tax, or \$0.03 per diluted share) in share-based payment expense recovery related to the departure of our former CEO.

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.

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, 2020 from those disclosed in Item 7A in our Annual Report on Form 10-K for the year ended December 31, 2019, 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 the Company’s disclosure controls and procedures as at September 30, 2020. The term “disclosure controls and procedures” means controls and other procedures established by the Company that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Based upon their evaluation of the Company’s disclosure controls and procedures, the CEO and the CFO concluded that, as at September 30, 2020, the disclosure controls are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms.

The Company, including its CEO and CFO, does not expect that its internal controls and procedures will prevent or detect all error and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Changes in Internal Control over Financial Reporting

Management, with the participation of the CEO and CFO, concluded that there were no changes in our internal control over financial reporting during the quarter ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.