

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.

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 second quarter, many regions lifted lockdown policies and eased border restrictions, improving our ability to move equipment to and from our auction sites. Notwithstanding, our European region was constrained 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, 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 second quarter.

For the full second 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 which transitioned 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 International and on-the-farm agriculture events.

We are actively taking 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 were limited in scope. As at the end of the second quarter, we held a solid balance sheet and strong liquidity position. As of June 30, 2020 with \$389.7 million of unrestricted cash and \$472.7 million of unused committed capacity under our revolving credit facility, we are prudently also taking steps to maximize positive cash flow and have developed comprehensive contingency plans should the COVID-19 pandemic have a prolonged adverse impact on our business impeding our ability to generate revenue.

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 decreased 2% to \$53.0 million, compared to \$54.0 million in Q2 2019. Diluted earnings per share (“EPS”) attributable to stockholders was flat at \$0.49 per share in Q2 2020 and Q2 2019. Diluted adjusted EPS* which excludes a \$6.2 million income tax expense in Q2 2020 related to an unfavourable adjustment to reflect final regulations published regarding hybrid financing arrangements, increased 10% to \$0.54 per share in Q2 2020 compared to \$0.49 per share in Q2 2019.

Consolidated results:

- Total revenue in Q2 2020 decreased 1% to \$389.1 million as compared to Q2 2019
 - Service revenue in Q2 2020 was \$234.1 million, flat compared to Q2 2019
 - Inventory sales revenue in Q2 2020 decreased 2% to \$154.9 million as compared to Q2 2019
- Total selling, general and administrative expenses (“SG&A”) in Q2 2020 increased 3% to \$100.6 million as compared to Q2 2019
- Operating income in Q2 2020 increased 14% to \$88.8 million as compared to Q2 2019
- Net income in Q2 2020 decreased 2% to \$53.1 million as compared to Q2 2019
- Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization* (“EBITDA”) (non-GAAP measure) in Q2 2020 increased 12% to \$107.1 million as compared to Q2 2019
- Cash provided by operating activities was \$198.3 million for the first half of 2020
- Cash on hand at Q2 2020 was \$538.0 million, of which \$389.7 million was unrestricted

Auctions & Marketplaces segment results:

- GTV in Q2 2020 was flat at \$1.5 billion compared to Q2 2019
- A&M total revenue in Q2 2020 decreased 1% to \$354.6 million as compared to Q2 2019
 - Service revenue in Q2 2020 decreased 1% to \$199.6 million as compared to Q2 2019
 - Inventory sales revenue in Q2 2020 decreased 2% to \$154.9 million as compared to Q2 2019

Other Services segment results:

- Other Services total revenue in Q2 2020 increased 3% to \$34.5 million as compared to Q2 2019
- RBFS revenue in Q2 2020 increased 5% to \$8.5 million as compared to Q2 2019

Other Company developments:

- On May 4, 2020, the Company announced the appointment of Jim Kessler as Chief Operating Officer, effective May 11, 2020
- Increased quarterly cash dividend by 10% to \$0.22 per share

Results of Operations

Financial overview

(in U.S. \$000's, except EPS and percentages)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Service revenue:						
Commissions	\$ 125,465	\$ 134,466	(7)%	\$ 218,950	\$ 226,746	(3)%
Fees	108,674	100,140	9 %	198,312	180,232	10 %
Total service revenue	234,139	234,606	(0)%	417,262	406,978	3 %
Inventory sales revenue	154,911	158,616	(2)%	245,043	289,673	(15)%
Total revenue	389,050	393,222	(1)%	662,305	696,651	(5)%
Service revenue as a % of total revenue	60.2 %	59.7 %	50 bps	63.0 %	58.4 %	460 bps
Inventory sales revenue as a % of total revenue	39.8 %	40.3 %	(50)bps	37.0 %	41.6 %	(460)bps
Costs of services	39,448	50,268	(22)%	78,803	86,337	(9)%
Cost of inventory sold	143,134	149,818	(4)%	224,719	270,293	(17)%
Selling, general and administrative expenses	100,632	97,714	3 %	199,017	192,898	3 %
Operating expenses	300,250	315,252	(5)%	539,423	585,093	(8)%
Cost of inventory sold as a % of operating expenses	47.7 %	47.5 %	20 bps	41.7 %	46.2 %	(450)bps
Operating income	88,800	77,970	14 %	122,882	111,558	10 %
Operating income margin	22.8 %	19.8 %	300 bps	18.6 %	16.0 %	260 bps
Net income attributable to stockholders	53,043	54,036	(2)%	75,851	72,200	5 %
Adjusted net income attributable to stockholders*	59,271	54,036	10 %	82,079	72,200	14 %
Diluted earnings per share attributable to stockholders	\$ 0.49	\$ 0.49	— %	\$ 0.69	\$ 0.66	5 %
Diluted adjusted EPS attributable to stockholders*	\$ 0.54	\$ 0.49	10 %	\$ 0.75	\$ 0.66	14 %
Effective tax rate	34.2 %	22.1 %	1210 bps	30.5 %	23.4 %	710 bps
Total GTV	1,493,982	1,497,757	(0)%	2,641,006	2,672,438	(1)%
Service revenue as a % of total GTV- Rate	15.7 %	15.7 %	— bps	15.8 %	15.2 %	60 bps
Inventory sales revenue as a % of total GTV-Mix	10.4 %	10.6 %	(20)bps	9.3 %	10.8 %	(150)bps

Total revenue

Total revenue decreased 1% to \$389.0 million in Q2 2020 and decreased 5% to \$662.3 million for the first half of 2020.

In Q2 2020, total service revenue was flat at \$234.1 million. 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 Q2 2020, Service GTV was flat with significant variability by region where US and Canada had higher activity, but International was lower due to the severe impact of the COVID-19 pandemic in that region. The increase in the US Service GTV was primarily due to record online performance driven from strong execution by the US region and the US strategic accounts sales teams, year-over-year growth performance at the Fort Worth auction, and shifting the Los Angeles auction to Q2 2020 in response to the COVID-19 pandemic. The US region recognized higher Service GTV despite the prior year large dispersal of pipeline equipment as part of the \$94 million Columbus, Ohio auction held in June 2019. In Canada, Service GTV increased largely due to the shift in the Montreal auction from Q1 2020 to Q2 2020.

Additionally, in Q2 2020, commissions revenue decreased 7% on flat Service GTV primarily due to softer commission rate performance from a higher proportion of GTV sourced from strategic accounts, and lower rates from our government operations. Total fees were up 9% on flat total GTV driven primarily by the mix of small values lots, the harmonization of buyer fees and higher fees from Services within our US operations, which was partially offset by fees waived for Canadian on-the-farm auctions as part of our COVID-19 pandemic response.

For the first half of 2020, total service revenue increased 3% to \$417.3 million.

For the first half of 2020, Service GTV increased 1% with increases in the US and Canada offsetting lower performance in International. Service GTV in the US increased due to strong online and Strategic Account performance, as well as year-over-year growth performance at our Las Vegas, Fort Worth and Houston auctions, partially offset by the non-repeat of the Columbus, Ohio

auction in June 2019 and lower GTV in the Orlando live auction. International was lower due to the impact of the COVID-19 pandemic.

For the first half of 2020, fee revenue increased 10% despite total GTV lower by 1%. This increase was driven mainly by the full harmonization of buyer fees, a greater proportion of small value lots in the US region, higher fees revenue from other services provided, and continued growth in RBFS fee revenue. This increase was partially offset by lower RB Logistics revenue earned due to lower activity in the International region during the first half of 2020, as well as buyers fees waived related to on-the-farm auctions in our Canada region. The decrease in commissions of 3% was due to softer rate performance as discussed above, even though Services GTV increased 1%.

Inventory sales revenue as a percent of total GTV decreased to 10.4% from 10.6% in Q2 2020 and to 9.3% from 10.8% in the first half of 2020.

In Q2 2020, inventory sales revenue decreased 2% primarily related to a non-recurring large dispersal of pipeline equipment as part of the \$94 million Columbus, Ohio auction in June 2019, and selling through certain non-repeating large inventory deals from Europe and Asia in Q2 2019. We also earned lower inventory revenue through our government surplus contracts due to government shutdowns in response to the COVID-19 pandemic. This decrease was partially offset by strong year-over-year performance in the US and Canada regions.

For the first half of 2020, inventory sales revenue decreased 15% primarily due to the same reasons above for Q2 2020.

Operating Income

For Q2 2020, operating income increased 14% to \$88.8 million, primarily related to a lower cost of services expense. In response to the COVID-19 pandemic, we transitioned our live on site auctions to online bidding, utilized TAL solutions for selected International and on-the-farm agricultural events, and implemented travel restrictions. These operational changes resulted in significant temporary cost reductions in employee compensation and travel, advertising, and promotion expenses. In addition, we incurred lower net fees paid to an unrelated party who referred us to large dispersals of equipment. For the first half of 2020, operating income increased 10% to \$122.9 million, primarily for the same reasons noted above.

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 2020, income tax expense increased 80% to \$27.7 million and our effective tax rate increased 1,210 bps to 34.2% as compared to Q2 2019. For the first half of 2020, income tax expense increased 51% to \$33.3 million and our effective tax rate increased 710 bps to 30.5% as compared to the first half of 2019.

Increases in the effective tax rates for Q2 2020, and for the first half of 2020 were primarily due to final regulations published on April 8, 2020 by the United States Department of Treasury and the IRS that clarified income tax benefits related to hybrid financing arrangements that the Company recorded in 2019 and the first quarter of 2020 would not be deductible. We had recorded income tax benefits of approximately \$6.2 million in the twelve months ended December 31, 2019 and \$1.1 million in the three months ended March 31, 2020, which are no longer deductible. In addition, we had a smaller income tax recovery related to decreases in uncertain tax positions in 2020 than it did in 2019. Offsetting these increases was the reduced impact of the US tax reform.

Net income

In Q2 2020, net income attributable to stockholders decreased 2% to \$53.0 million, primarily related to the increase in the effective tax rate, as discussed above, partially offset by the higher operating income and lower interest expense. For the first half of 2020, net income attributable to stockholders increased 5% to \$75.9 million, primarily due to the increase operating income, lower interest expense, partially offset by the higher effective tax rate.

Diluted EPS

Diluted EPS attributable to stockholders was flat at \$0.49 per share for Q2 2020 and Q2 2019 and increased 5% to \$0.69 per share for the first half 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	0.7367	0.7638	(4)%
Euro	1.1235	1.1371	(1)%
Australian dollar	0.6902	0.7020	(2)%
Average exchange rate -Three months ended June 30,			
Canadian dollar	0.7210	0.7477	(4)%
Euro	1.1009	1.1239	(2)%
Australian dollar	0.6557	0.7000	(6)%
Average exchange rate -Six months ended June 30,			
Canadian dollar	0.7334	0.7500	(2)%
Euro	1.1021	1.1297	(2)%
Australian dollar	0.6572	0.7061	(7)%

For Q2 2020, 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, Canadian dollar, and Australian dollar exchange rates relative to the U.S. dollar.

Non-GAAP Measures

As part of management's non-GAAP measures, we may eliminate the financial impact of adjusting items which are after-tax effects of significant non-recurring items that we do not consider to be part of our normal operating results, such as acquisition-related costs, management reorganization costs, severance, retention, gains/losses on sale of an equity accounted for investment, plant and equipment, impairment losses, and certain other items, which we refer to as 'adjusting items'. In Q2 2020 we adjusted \$6.2 million in current and deferred income tax expense related to an unfavourable adjustment to reflect final regulations regarding hybrid financing arrangements. There were no adjusting items in Q2 2019.

Adjusted net income attributable to stockholders (non-GAAP measure) increased 10% to \$59.3 million in Q2 2020 and increased 14% to \$82.1 million for the first half of 2020.

Diluted Adjusted EPS attributable to stockholders (non-GAAP measure) increased 10% to \$0.54 per share in Q2 2020 and increased 14% to \$0.75 per share for the first half of 2020.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") (non-GAAP measure) increased 12% to \$107.1 million in Q2 2020 and increased 11% to \$163.4 million for the first half of 2020.

Debt at the end of Q2 2020, represented 4.3 times net income as at and for the 12 months ended June 30, 2020. This compares to debt at Q2 2019, which represented 5.4 times net income as at and for the 12 months ended June 30, 2019. The decrease in this debt/net income multiplier was primarily due to lower debt balances at June 30, 2020 compared to June 30, 2019, as a result of our voluntary and mandatory debt repayments. The adjusted net debt/adjusted EBITDA (non-GAAP measure) was 0.9 times as at and for the 12 months ended June 30, 2020 compared to 1.8 times as at and for the 12 months ended June 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 June 30, 2020			Six months ended June 30, 2020		
	A&M	Other	Consolidated	A&M	Other	Consolidated
Service revenue	\$ 199,648	\$ 34,491	\$ 234,139	\$ 354,391	\$ 62,871	\$ 417,262
Inventory sales revenue	154,911	—	154,911	245,043	—	245,043
Total revenue	354,559	34,491	389,050	599,434	62,871	662,305
Ancillary and logistical service expenses	—	16,060	16,060	—	28,818	28,818
Other costs of services	22,190	1,198	23,388	47,285	2,700	49,985
Cost of inventory sold	143,134	—	143,134	224,719	—	224,719
SG&A expenses	94,559	6,073	100,632	186,144	12,873	199,017
Segment profit	94,676	11,160	105,836	\$ 141,286	\$ 18,480	\$ 159,766

(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

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 June 30,			Six months ended June 30,		
	2020	2019	% Change	2020	2019	% Change
			2020 over 2019			2020 over 2019
Service revenue	\$ 199,648	\$ 201,050	(1)%	\$ 354,391	\$ 344,487	3 %
Inventory sales revenue	154,911	158,616	(2)%	245,043	289,673	(15)%
Total revenue	354,559	359,666	(1)%	599,434	634,160	(5)%
A&M service revenue as a % of total A&M revenue	56.3 %	55.9 %	40 bps	59.1 %	54.3 %	480 bps
Inventory sales revenue as a % of total A&M revenue	43.7 %	44.1 %	(40)bps	40.9 %	45.7 %	(480)bps
Costs of services	22,190	32,551	(32)%	47,285	53,368	(11)%
Cost of inventory sold	143,134	149,818	(4)%	224,719	270,293	(17)%
SG&A expenses	94,559	91,466	3 %	186,144	180,648	3 %
A&M segment expenses	\$ 259,883	\$ 273,835	(5)%	\$ 458,148	\$ 504,309	(9)%
Cost of inventory sold as a % of A&M expenses	55.1 %	54.7 %	40 bps	49.0 %	53.6 %	(460)bps
A&M segment profit	\$ 94,676	\$ 85,831	10 %	\$ 141,286	\$ 129,851	9 %
Total GTV	1,493,982	1,497,757	(0)%	2,641,006	2,672,438	(1)%
A&M service revenue as a % of total GTV- Rate	13.4 %	13.4 %	0 bps	13.4 %	12.9 %	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 formats 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 29% in Q2 2020, up from 8% in the prior year, and increased to 22%, up from 8% in the first half 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 June 30,			Six months ended June 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Live on site auctions	\$ 1,181,262	\$ 1,261,194	(6)%	\$ 2,091,058	\$ 2,232,793	(6)%
Percentage of total	79.1 %	84.2 %		79.2 %	83.5 %	
Online marketplaces including featured ⁽¹⁾ and other ⁽²⁾	312,720	236,563	32 %	549,949	439,645	25 %
Percentage of total	20.9 %	15.8 %		20.8 %	16.5 %	
GTV	<u>\$ 1,493,982</u>	<u>\$ 1,497,757</u>	<u>(0)%</u>	<u>\$ 2,641,007</u>	<u>\$ 2,672,438</u>	<u>(1)%</u>
Percentage of total GTV purchased by online buyers						
Live on site auctions	100 %	56 %	4400 bps	86 %	54 %	3200 bps
Online marketplaces including featured ⁽¹⁾ and other ⁽²⁾	100 %	100 %	0 bps	100 %	100 %	0 bps
Total GTV	<u>100 %</u>	<u>63 %</u>	<u>3700 bps</u>	<u>89 %</u>	<u>62 %</u>	<u>2700 bps</u>

(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 remained flat at \$1.5 billion in Q2 2020 and for the first half of 2020 decreased 1% to \$2.6 billion.

For Q2 2020, live on site GTV decreased 6% to \$1.2 billion. The 6% decrease in GTV was primarily due to the non-repeat large dispersal of pipeline equipment at the \$94 million Columbus, Ohio auction held in June 2019, and softness in the International region due to the COVID-19 pandemic. Also, Australia switched their selling platform from Live to Online. The decreases were partially offset by strong year-over-year GTV performance in the US and Canada, driven by an increased supply of transportation equipment.

Shifts to our auction calendar in response to the COVID-19 pandemic did not have a material impact on our live on site GTV performance in Q2 2020. The shift of the Montreal, Canada and Los Angeles, US auctions from Q1 2020 to Q2 2020, were partially offset by the postponement of the Polotitlan, Mexico, and Ocana, Spain auctions from Q2 2020 to Q3 2020. The shift of the Australia live on site auctions to our online platform also transferred GTV to the online channel.

For the first half of 2020, GTV from live on site auctions decreased 6%. This decrease was primarily related to our response to the COVID-19 pandemic, as we shifted our Australia live auctions to our online platform, and postponed three live auctions from Q2 2020 to Q3 2020, including: (1) Polotitlan, Mexico; (2) Ocana, Spain; and (3) Caorso, Italy. The decrease was also due to lower GTV at the Columbus and Orlando auction, as well as impacts of the COVID-19 pandemic in our International region as discussed above. Partially offsetting these declines were higher GTV sourced from our US region and the US strategic accounts sales teams, and year-over-year growth performance at the Las Vegas, Fort Worth, and Houston auctions.

For Q2 2020, online marketplace GTV increased 32% primarily due to increased online performance driven from strong execution by the US region and the US strategic accounts sales teams, and the shift of our Australia live on site auctions to our online platform. This increase was partially offset by lower government surplus GTV due to the COVID-19 pandemic government shutdowns.

For the first half of 2020, online marketplaces GTV increased 25% for the same reasons discussed above, and was partially offset by lower Marketplace-E performance in our Europe region.

Online bidding

Across all channels, 100% of total GTV was purchased by online buyers in Q2 2020 compared to 63% in Q2 2019. For the first half 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 in the first half of 2020.

GTV by Revenue Type

(in U.S. \$000's, except percentages)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Service GTV	\$ 1,339,071	\$ 1,339,141	(0)%	\$ 2,395,963	\$ 2,382,765	1 %
Percentage of total	89.6 %	89.4 %		90.7 %	89.2 %	
Inventory GTV	154,911	158,616	(2)%	245,043	289,673	(15)%
Percentage of total	10.4 %	10.6 %		9.3 %	10.8 %	
GTV	<u>\$ 1,493,982</u>	<u>\$ 1,497,757</u>	<u>(0)%</u>	<u>\$ 2,641,006</u>	<u>\$ 2,672,438</u>	<u>(1)%</u>

In Q2 2020, Service GTV remained flat at \$1.3 billion, while Inventory GTV decreased 2% to \$155.0 million.

For the first half of 2020, Service GTV increased 1% with Inventory GTV decreasing 15%. The 15% decrease in Inventory GTV is due to a large dispersal of pipeline equipment at our Columbus auction in June 2019, certain non-repeat large inventory deals from Europe and Asia in Q1 2019, and a decrease in volume of inventory contracts at our Orlando auction compared to the prior year. This was partially offset by strong year-over-year performance in several of our US and Canada live auctions as we had a greater level of transportation equipment.

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 slightly to 24.4% in Q2 2020, compared to 24.0% in Q2 2019. For the first half of 2020, our underwritten contracts were 20.3% compared to 20.7% in the prior period.

Industrial Live On Site Metrics

Total industrial live on site auction metrics

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Number of auctions	51	59	(14)%	81	94	(14)%
Bidder registrations	284,550	200,250	42 %	445,550	343,250	30 %
Consignors	14,400	17,450	(17)%	25,350	29,000	(13)%
Buyers	44,350	43,500	2 %	74,250	74,250	— %
Lots	<u>114,700</u>	<u>120,500</u>	<u>(5)%</u>	<u>197,050</u>	<u>206,750</u>	<u>(5)%</u>

In Q2 2020, we held eight fewer industrial live on site auctions, which led to a 6% decrease in our GTV from our live on site auctions. As discussed above, live auction calendar shifts as a result of our response to the COVID-19 pandemic had minimal impact on our live on site GTV performance.

In Q2 2020, the total number of industrial lots decreased 5% to 114,700 and the total number of lots including agricultural lots decreased 8% to 127,250, primarily due to fewer industrial live on site auctions held as discussed above. For the first half of 2020, total number of industrial lots decreased 5% to 197,050 and the total number of lots including agricultural lots decreased 6% to 213,100 lots.

GTV on a per lot basis generated at our industrial live on site auctions was flat at \$9,400 in Q2 2020 and Q2 2019. For the first half of 2020, the GTV on a per lot basis generated at our industrial live on site auctions decreased 1% to \$9,900 compared to \$10,000 in the prior year.

12 months average metrics per industrial live on site auction

(in U.S. \$000's, except percentages)	12 months ended June 30,		
	2020	2019	% Change 2020 over 2019
GTV	\$ 21.3 million	\$ 20.5 million	4 %
Bidder registrations	4,612	3,322	39 %
Consignors	305	300	2 %
Lots	2,281	2,081	10 %

For the 12 months ended June 30, 2020, we saw a 4% increase in average GTV per industrial auction compared to the prior year period, and a 39% increase in average bidder registration per auction, a strong indicator of 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 June 30, 2020 was \$12.2 million per Revenue Producer compared to \$11.7 million per Revenue Producer for the trailing 12-month period ended June 30, 2019.

A&M revenue

Total A&M revenue decreased 1% to \$354.6 million in Q2 2020 and decreased 5% to \$599.4 million for the first half of 2020.

A&M revenue by geographical region are presented below:

(in U.S. \$000's)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
United States						
Service revenue	115,796	110,622	5 %	\$ 236,134	\$ 213,597	11 %
Inventory sales revenue	72,196	87,788	(18)%	129,144	155,732	(17)%
A&M revenue- United States	187,992	198,410	(5)%	365,278	369,329	(1)%
Canada						
Service revenue	67,357	65,752	2 %	85,917	85,520	0 %
Inventory sales revenue	19,126	13,373	43 %	27,321	17,158	59 %
A&M revenue- Canada	86,483	79,125	9 %	113,238	102,678	10 %
International						
Service revenue	16,496	24,676	(33)%	32,340	45,370	(29)%
Inventory sales revenue	63,588	57,455	11 %	88,578	116,783	(24)%
A&M revenue- International	80,084	82,131	(2)%	120,918	162,153	(25)%
Total						
Service revenue	199,648	201,050	(1)%	354,391	344,487	3 %
Inventory sales revenue	154,911	158,616	(2)%	245,043	289,673	(15)%
A&M total revenue	354,559	359,666	(1)%	599,434	634,160	(5)%

United States

In Q2 2020, service revenue increased 5% primarily due to an increase in fee revenue driven by the mix of small value lots, the harmonization of buyer fees, fee growth from higher total GTV, and higher fees from Services within our US operations. We recognized lower commissions despite higher Services GTV, due to softer rate performance, with a higher proportion of Services GTV sourced from strategic accounts, and lower rates from our government operations.

Service GTV in the US was higher, with record online performance driven by strong execution from the US region and the US strategic accounts sales teams, an increase in supply of transportation equipment, and shifting the Los Angeles auction to Q2 2020 in response to the COVID-19 pandemic. This increase in Services GTV was partially offset by the lower GTV arising from the non-repeat of the large Columbus, Ohio auction held in June 2019.

In Q2 2020, inventory sales revenue decreased 18% as we had a large dispersal of pipeline equipment as part of the \$94 million Columbus, Ohio auction held in June 2019. We also recognized lower inventory contracts related to our government surplus contracts due to the COVID-19 pandemic government shutdowns, which ceased all shipment of surplus contract inventories. This decrease was partially offset by strong live on site performance in the US as we saw an increase in supply of transportation equipment.

For the first half of 2020, service revenue increased 11% primarily due to an increase in fees revenue driven by the harmonization of buyer fees, the mix of small value lots, fee growth from higher total GTV, and higher fees from services in the US operations. Service revenue in the US also increased due to commissions earned from higher volumes on Service GTV growth as discussed above, and higher rates earned on our guarantee contracts. This increase was partially offset by softer rate performance due to higher proportion of GTV sourced from strategic accounts and lower rates from our government operations. Inventory sales revenue decreased 17% for the same reasons discussed above.

Canada

In Q2 2020, service revenue increased 2% primarily due to higher fees revenue driven by the full harmonization of buyer fees, fees earned on higher total GTV, partially offset by fees waived for Canadian on-the-farm auctions as part of our COVID-19 pandemic response. Service GTV in Canada was higher primarily due to the shift in the Montreal auction from Q1 2020 to Q2 2020. Inventory sales revenue increased 43% primarily due to year-over-year growth performance at our Western Canada auctions.

For the first half of 2020, service revenue was flat at \$85.9 million. Fees revenue increased due to the full harmonization of buyer fees and higher total GTV, which was offset by lower commissions revenue. Inventory sales revenue increased 59% to \$27.3 million primarily for the same reasons discussed above.

International

In Q2 2020, service revenue decreased 33% primarily due to lower commissions on lower services GTV. In addition, International had lower fees revenue in line with decreased total GTV. The lower total GTV was due to softness in the International region driven by economic uncertainty during the COVID-19 pandemic. Inventory sales revenue increased 11% with strong performance at our Maltby, UK auction, which was partially offset by the non-repeat of supply contracts in Europe and Asia that were garnered in a more favourable supply environment in the prior year.

For the first half of 2020, service revenue decreased 29% with lower commissions and fees revenue earned on lower GTV for the same reasons discussed above. Inventory sales revenue decreased 24% due to the non-repeat of supply contracts in Europe and Asia that were garnered in a more favourable supply environment as well as lower volumes driven by the economic uncertainties in this region as discussed above.

Costs of services

A&M costs of services decreased 32% to \$22.2 million in Q2 2020 compared to Q2 2019. In response to the COVID-19 pandemic, we transitioned our live on site auctions to online bidding, utilized TAL solutions for selected International and on-the-farm agricultural events, and implemented travel restrictions. These operational changes resulted in significant temporary cost reductions in employee compensation, and travel, advertising, and promotion expenses. In addition, we incurred lower net fees related to referral payments.

For the first half of 2020, A&M costs of services decreased 11% to \$47.3 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.

Cost of inventory sold

A&M cost of inventory sold decreased 4% to \$143.1 million in Q2 2020 compared to Q2 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 also improved as a result of equipment sold at a lower price performance in the prior year within the International region, which was not repeated in Q2 2020.

For the first half of 2020, A&M cost of inventory sold decreased 17% to \$224.7 million due to the reasons noted above.

SG&A expenses

A&M SG&A expenses increased 3% to \$94.6 million in Q2 2020 compared to Q2 2019. The increase was primarily due to higher incentive expense, including a one-time incentive accrual to employees who have been instrumental during the COVID-19 pandemic to continue keeping our operations running and servicing our customers. 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 half of 2020, A&M segment SG&A expenses increased 3% to \$186.1 million primarily due to the same reasons noted above, and higher overhead personnel costs incurred to support our growth initiatives.

Other Services Segment

(in U.S. \$000's)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Service revenue	\$ 34,491	\$ 33,556	3 %	\$ 62,871	\$ 62,491	1 %
Ancillary and logistical service expenses	16,060	16,472	(3)%	28,818	30,231	(5)%
Other costs of services	1,198	1,245	(4)%	2,700	2,738	(1)%
SG&A expenses	6,073	6,248	(3)%	12,873	12,250	5 %
Other services profit	\$ 11,160	\$ 9,591	16 %	\$ 18,480	\$ 17,272	7 %

In Q2 2020, Other Services revenue increased 3% to \$34.5 million primarily due to an increase in Ancillary revenue of \$0.6 million and RBFS revenue of \$0.4 million. In the first half of 2020, Other Services revenue increased 1% to \$62.9 million due to higher revenue in RBFS of \$1.4 million, Ancillary of \$0.9 million, and Mascus of \$0.4 million. This increase was partially offset by lower revenue from RB Logistics of \$2.3 million caused by lower inventory sales in Europe requiring logistics.

RBFS revenue increased 5% in Q2 2020, driven by an increase in the rate of fees earned from facilitating financing arrangements. In Q2 2020, our funded volume, which represents the amount of lending brokered by RBFS, decreased 4% to \$140.4 million in Q2 2020, and remained flat when excluding the impact of foreign exchange. In the first half of 2020, our funded volume decreased 3% to \$256.3 million, and decreased 1% when excluding the impact of foreign exchange. Credit approvals tightened in Q2 2020 due to the economic uncertainties during the COVID-19 pandemic, resulting in lower rate of funding and revenue growth of our RBFS business.

In Q2 2020, Other Services profit increased 16% to \$11.2 million primarily due to lower cost of services and SG&A costs driven by our Ancillary and RBFS operations. In the first half of 2020, Other Services profit increased 7% to \$18.5 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.

In the first half of 2020, our operations were not materially impacted by the COVID-19 pandemic. However, with rapidly changing global markets and economic environments, there is significant uncertainty as to the future impact on our business and liquidity. 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 \$538.0 million at June 30, 2020, a 59% increase over the \$339.0 million balance at June 30, 2019. The \$84.3 million of cash generated over the comparative period is detailed in the following table:

(in U.S. \$000's)	Six months ended June 30,		
	2020	2019	% Change 2020 over 2019
Cash provided by (used in):			
Operating activities	\$ 198,324	\$ 160,355	24 %
Investing activities	(148)	(17,210)	(99)%
Financing activities	(77,811)	(111,520)	(30)%
Effect of changes in foreign currency rates	(2,608)	1,802	(245)%
Net increase in cash, cash equivalents, and restricted cash	<u>\$ 117,757</u>	<u>\$ 33,427</u>	<u>252 %</u>

Net cash provided by operating activities increased \$38.0 million in the first half of 2020. This increase was primarily due to a net positive impact in our operating assets and liabilities, as well as an increase in our net income over the comparative period. We saw net positive cash flows from changes in our operating assets and liabilities primarily due to the timing of payments on a mix of third-party suppliers and local payroll, consumption, and income taxes, as well as an increase in the size and number of auctions over the comparative period. The increase in cash provided by operating activities was partially offset by changes in inventory over the comparative period. At the end of 2018, we saw particularly high levels of inventory in Europe, which turned over in the first half of 2019.

Net cash used in investing activities decreased \$17.1 million in the first half of 2020. This decrease was primarily due to net proceeds of \$15.5 million on the sale of land in the United States and \$4.2 million on the distribution of equity investments in the first half of 2020. This increase was partially offset by a \$2.6 million increase in property, plant and equipment and intangible asset additions over the comparative period.

Net cash used in financing activities decreased \$33.7 million in the first half of 2020. This decrease was driven primarily by a \$28.0 million increase in net proceeds from short-term debt draws, primarily to fund inventory purchases in the US and Australia. In addition, we raised \$15.3 million more cash from the issuance of share capital related to stock option exercises in the first half of 2020 over the comparative period in 2019. Partially offsetting this was an increase of \$11.2 million in share repurchases in the first half of 2020 versus the first half of 2019.

Dividend information

We declared and paid a regular cash dividend of \$0.20 per common share for the quarter ended June 30, 2019, September 30, 2019, December 31, 2019, and March 31, 2020. We have declared, but not yet paid, a dividend of \$0.22 per common share for the quarter ended June 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 57.0% for the 12 months ended June 30, 2020 from 59.9% for the 12 months ended June 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 54.7% for the 12 months ended June 30, 2020 from 61.7% for the 12 months ended June 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 150 bps to 10.0% for the 12-month period ending June 30, 2020 from 8.5% for the 12-month period ending June 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 180 bps to 10.1% during the 12 months ended June 30, 2020 compared to 8.3% for the 12 months period ending June 30, 2019.

Credit facilities

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

(in U.S. \$000's, except percentages)	June 30, 2020	December 31, 2019	% Change
<i>Committed</i>			
Term loan facility	\$ 140,702	\$ 155,355	(9)%
Revolving credit facilities	500,000	500,000	— %
Total credit facilities	\$ 640,702	\$ 655,355	(2)%
<i>Unused</i>			
Revolving credit facilities	472,657	489,937	(4)%
Total credit facilities unused	\$ 472,657	\$ 489,937	(4)%

Debt covenants

We were in compliance with all financial and other covenants applicable to our credit facilities at June 30, 2020.

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 (subject to the Toronto Stock Exchange approval) over a total period of 12 months. The share repurchase program ended May 8, 2020.

For the six months ended June 30, 2020, we executed the following share repurchases at a total cost of \$53.2 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
March 5-23, 2020	1,525,312	\$ 34.85	1,525,312	\$ 4.8 million

On August 5, 2020, our Board of Directors authorized a share repurchase program for the repurchase of up to \$100 million worth of our common shares (subject to the Toronto Stock Exchange "TSX" approval) over the next 12 months.

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 six months ended June 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 six months ended June 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 June 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 June 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 six months ended June 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

Adjusting operating income* eliminates the financial impact of adjusting items which are significant non-recurring items that we do not consider to be part of our normal operating results, such as acquisition-related costs, management reorganization costs, and certain other items, which we refer to as ‘adjusting items’.

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

(in U.S. \$000's, except percentages)	<u>Three months ended June 30,</u>			<u>Six months ended June 30,</u>		
	<u>2020</u>	<u>2019</u>	<u>% Change</u> <u>2020 over 2019</u>	<u>2020</u>	<u>2019</u>	<u>% Change</u> <u>2020 over 2019</u>
Operating income	\$ 88,800	\$ 77,970	14 %	\$ 122,882	\$ 111,558	10 %
Adjusted operating income*	\$ 88,800	\$ 77,970	14 %	\$ 122,882	\$ 111,558	10 %

(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.

(in U.S. \$000's, except share and per share data, and percentages)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Net income attributable to stockholders	\$ 53,043	\$ 54,036	(2)%	\$ 75,851	\$ 72,200	5 %
Current income tax adjusting item:						
Change in uncertain tax provision	766	—	100 %	766	—	100 %
Deferred tax adjusting item:						
Change in uncertain tax provision	5,462	—	100 %	5,462	—	100 %
Adjusted net income attributable to stockholders*	\$ 59,271	\$ 54,036	10 %	\$ 82,079	\$ 72,200	14 %
Weighted average number of dilutive shares outstanding	109,323,343	109,942,768	(1)%	109,903,808	109,982,763	(0)%
Diluted earnings per share attributable to stockholders	\$ 0.49	\$ 0.49	— %	\$ 0.69	\$ 0.66	5 %
Diluted adjusted EPS attributable to Stockholders*	\$ 0.54	\$ 0.49	10 %	\$ 0.75	\$ 0.66	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 measures in, or calculated from, our consolidated income statements:

(in U.S. \$000's, except percentages)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Net income	\$ 53,119	\$ 54,131	(2)%	\$ 75,948	\$ 72,303	5 %
Add: depreciation and amortization expenses	17,857	17,112	4 %	37,150	34,227	9 %
Add: interest expense	8,882	10,117	(12)%	18,064	20,933	(14)%
Less: interest income	(393)	(1,063)	(63)%	(1,063)	(1,918)	(45)%
Add: income tax expense	27,656	15,401	80 %	33,304	22,040	51 %
Adjusted EBITDA*	\$ 107,121	\$ 95,698	12 %	\$ 163,403	\$ 147,585	11 %

- (1) Please refer to page 48 for a summary of adjusting items during the three and six months ended June 30, 2020 and June 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 June 30,		
	2020	2019	% Change 2020 over 2019
Short-term debt	\$ 22.0	\$ 8.0	175 %
Long-term debt	632.0	704.9	(10)%
Debt	654.0	712.9	(8)%
Less: Cash and cash equivalents	(389.7)	(210.4)	85 %
Adjusted net debt*	264.3	502.5	(47)%
Net income	\$ 152.7	\$ 130.9	17 %
Add: depreciation and amortization expenses	73.4	68.1	8 %
Add: interest expense	38.4	43.2	(11)%
Less: interest income	(3.1)	(3.6)	(14)%
Add: income tax expense	52.9	38.7	37 %
Pre-tax adjusting items:			
Share-based payment expense recovery	(4.1)	—	(100)%
Severance and retention	—	1.5	(100)%
Gain on sale of equity accounted for investment	—	(4.9)	(100)%
Adjusted EBITDA*	\$ 310.2	\$ 273.9	13 %
Debt/net income	4.3 x	5.4 x	(20)%
Adjusted net debt*/adjusted EBITDA*	0.9 x	1.8 x	(50)%

- (1) Please refer to page 48 for a summary of adjusting items during the trailing 12-months ended June 30, 2020 and June 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 June 30,		
	2020	2019	% Change 2020 over 2019
Cash provided by operating activities	\$ 370.8	\$ 196.8	88 %
Property, plant and equipment additions	15.1	15.7	(4)%
Intangible asset additions	28.5	26.1	9 %
Proceeds on disposition of property plant and equipment	(21.5)	(9.5)	126 %
Net capital spending	\$ 22.1	\$ 32.3	(32)%
OFCF*	\$ 348.7	\$ 164.5	112 %

- (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 June 30,		
	2020	2019	%Change 2020 over 2019
Dividends paid to stockholders	\$ 87.0	\$ 78.3	11 %
Net income attributable to stockholders	\$ 152.7	\$ 130.8	17 %
Pre-tax adjusting items:			
Severance and retention	—	1.5	(100)%
Gain on sale of equity accounted for investment	—	(4.9)	(100)%
Current income tax effect of adjusting items:			
Severance and retention	—	(0.4)	(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*	\$ 159.0	\$ 127.0	25 %
Dividend payout ratio	57.0 %	59.9 %	(290)bps
Adjusted dividend payout ratio*	54.7 %	61.7 %	(700)bps

- (1) Please refer to page 48 for a summary of adjusting items during the trailing 12-months ended June 30, 2020 and June 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 June 30,</u>		
(in U.S. \$millions, except percentages)	<u>2020</u>	<u>2019</u>	<u>% Change</u> <u>2020 over 2019</u>
Net income attributable to stockholders	\$ 152.7	\$ 130.8	17 %
Pre-tax adjusting items:			
Share-based payment expense recovery	(4.1)	—	(100)%
Severance and retention	—	1.5	(100)%
Gain on sale of equity accounted for investment	—	(4.9)	(100)%
Current income tax effect of adjusting items:			
Severance and retention	—	(0.4)	(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*	\$ 154.9	\$ 127.0	22 %
Opening long-term debt	\$ 704.9	\$ 750.4	(6)%
Ending long-term debt	632.0	704.9	(10)%
Average long-term debt	668.5	727.7	(8)%
Opening stockholders' equity	\$ 830.7	\$ 786.4	6 %
Ending stockholders' equity	899.1	830.7	8 %
Average stockholders' equity	864.9	808.6	7 %
Average invested capital	\$ 1,533.4	\$ 1,536.3	(0)%
Return on average invested capital	10.0 %	8.5 %	150 bps
ROIC*	10.1 %	8.3 %	180 bps

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

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.

Recognized in the third quarter of 2019

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

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 IronPlanet acquisition;
- \$4.9 million (\$4.9 million after tax, or \$0.04 per diluted share) due to gain on sale of an equity accounted for investment.

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, 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 June 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 June 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 June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.