

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

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

In the accompanying analysis of financial information, we sometimes use information derived from consolidated financial data but not presented in our financial statements prepared in accordance with US GAAP. Certain of these data are considered "non-GAAP financial measures" under the SEC rules. The definitions 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 37-42 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 2,400 full time employees worldwide.

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

## 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.

As part of the response from local governments, a number of countries, cities, states, provinces and municipalities issued orders requiring persons who were not engaged in essential activities and businesses to remain at home. Other jurisdictions without stay-at-home orders required non-essential businesses to close. We have seen variation in how the respective regions have been affected and have subsequently responded to protect the general public's well being. Regions such as Europe and Asia have seen quarantines and expanded lockdown policies which have resulted in strict border restrictions constraining our ability to move equipment to our auction sites. North America also instituted similar measures impacting 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 continue our business. As part of these "shelter-in-place" orders and select local authorities closing entire areas for periods of time, some of our scheduled live onsite auctions in the quarter were postponed to a future date.

Our priority with regard to the COVID-19 pandemic is the health and welfare of our employees, customers, suppliers and others with whom we partner to run our business activities. Subject to that and through the use of appropriate risk mitigation and safety practices, we have acted swiftly and deliberately to safeguard our employees and business operations as we proactively support our customers and continue operating in this unprecedented business environment in which we find ourselves. We have implemented our business continuity plans and our incident steering team is in place to respond to changes in our environment quickly and effectively. As a result of the COVID-19 pandemic, we instructed employees at many of our offices across the globe (including our corporate headquarters) to work from home on a temporary basis and have implemented travel restrictions.

In the face of the unfolding situation, our Company was able to largely continue our operations 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 and transitioned all our traditional live onsite industrial auctions to online bidding. With these live events transitioning to online bidding, Sellers were granted access to drop off their equipment for sale to our physical auction yards prior to the online event under the strictest of safety and health guidelines. Buyers were 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 restricted any attendance at our live theatres. These rigid guidelines were instituted 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, where auctioneers were not able to attend physical site, we used Time Auctioned Lots (TAL) solutions for selected International and on-the-farm agriculture events.

In response to these rapidly changing market conditions, we are taking all appropriate steps to be prudent on expenses and other cash outflows. Our priority is to support our employees during this time, and we continue to actively monitor the situation and changing dynamics in each of our respective regions and will adjust our operations as necessary. To this date, layoffs or furlough activities have been limited in scope. While we have a solid balance sheet and strong liquidity position as of March 31, 2020 with \$290.1 million of unrestricted cash and \$461.7 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 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 related restrictions placed by oversight bodies and 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 have been permitted to continue operating our modified live site operations in nearly all of the jurisdictions in which we operate, there is no assurance that we will be permitted to operate our live sites under every future government order or other restriction and in every location. 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 continue to monitor the rapidly evolving situation and guidance from international and domestic authorities, including federal, state, provincial and local public health authorities and may take additional actions based on their recommendations. We will continuously review and assess 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. In these circumstances, there may be developments outside our control requiring us to further adjust our operating plan and auction schedule. There are no reliable estimates of how long the pandemic will last, how many people are likely to be affected by it and the long-term implications to local or global economies. It is 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 do we understand 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 dynamic 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](http://www.rbauction.com), on EDGAR at [www.sec.gov](http://www.sec.gov), or on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Contract options

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 26% to \$22.8 million compared to \$18.2 million in Q1 2019. Diluted earnings per share ("EPS") attributable to stockholders increased 24% to \$0.21 per share in Q1 2020 compared to \$0.17 per share in Q1 2019.

#### **Consolidated results:**

- Total revenue in Q1 2020 decreased 10% to \$273.3 million as compared to Q1 2019
  - Service revenue in Q1 2020 increased 6% to \$183.1 million as compared to Q1 2019
  - Inventory sales revenue in Q1 2020 decreased 31% to \$90.1 million as compared to Q1 2019
- Total selling, general and administrative expenses ("SG&A") in Q1 2020 increased 3% to \$98.4 million as compared to Q1 2019
- Operating income in Q1 2020 increased 1% to \$34.1 million as compared to Q1 2019
- Cash provided by operating activities was \$4.1 million for the first three months of 2020
- Cash on hand at Q1 2020 was \$355.9 million, of which \$290.1 million was unrestricted

#### **Auctions & Marketplaces segment results:**

- GTV in Q1 2020 decreased 2% to \$1.1 billion compared to Q1 2019
- A&M total revenue in Q1 2020 decreased 11% to \$244.9 million as compared to Q1 2019
  - Service revenue in Q1 2020 increased 8% to \$154.7 million as compared to Q1 2019
  - Inventory sales revenue in Q1 2020 decreased 31% to \$90.1 million as compared to Q1 2019

#### **Other Services segment results:**

- Other Services total revenue in Q1 2020 decreased 2% to \$28.4 million as compared to Q1 2019
- RBFS revenue in Q1 2020 increased 16% to \$7.3 million as compared to Q1 2019

#### **Other Company developments:**

- On February 27, 2020, the Company announced the appointment of Carmen Thiede as Chief Human Resources Officer, effective April 13, 2020.
- On March 19, 2020, the Company announced the appointment of Baron Concors as Chief Information Officer, effective March 23, 2020.

## Results of Operations

### Financial overview

(in U.S. \$000's, except EPS and percentages)

	Three months ended March 31,		% Change 2020 over 2019
	2020	2019	
Service revenue:			
Commissions	\$ 93,484	\$ 92,280	1%
Fees	89,639	80,092	12%
Total service revenue	183,123	172,372	6%
Inventory sales revenue	90,132	131,057	(31%)
Total revenue	273,255	303,429	(10%)
Service revenue as a % of total revenue	67.0%	56.8%	1020 bps
Inventory sales revenue as a % of total revenue	33.0%	43.2%	(1020) bps
Costs of services	39,355	36,069	9%
Cost of inventory sold	81,585	120,475	(32%)
Selling, general and administrative expenses	98,385	95,184	3%
Operating expenses	239,173	269,841	(11%)
Cost of inventory sold as a % of operating expenses	34.1%	44.6%	(1050) bps
Operating income	34,082	33,588	1%
Operating income margin	12.5%	11.1%	140 bps
Net income attributable to stockholders	22,809	18,164	26%
Diluted earnings per share attributable to stockholders	\$ 0.21	\$ 0.17	24%
Effective tax rate	19.8%	26.8%	(700) bps
Total GTV	1,147,025	1,174,681	(2%)
Service revenue as a % of total GTV- Rate	16.0%	14.7%	130 bps
Inventory sales revenue as a % of total GTV- Mix	7.9%	11.2%	(330) bps

### Total revenue

Total revenue decreased 10% to \$273.3 million due to a 31% decrease in inventory sales revenue, partially offset by a 6% increase in service revenue.

In Q1 2020, total service revenue increased 6% with commissions revenue increasing 1% and fee revenue increasing 12%. The increase in commissions revenue was in line with higher Service GTV. The increase in fee revenue was driven primarily by the full harmonization of buyer fees, higher volume and fee rates at our Leake auction and GovPlanet platform, greater proportion of small value lots 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 quarter.

Inventory sales revenue as a percent of total GTV decreased to 7.9% in Q1 2020 compared to 11.2% in prior quarter.

In Q1 2020, inventory sales revenue decreased 31% primarily related to selling through certain non-repeating 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. We also had lower inventory contracts in our Australia region in Q1 2020 compared to prior quarter.

### 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 Q1 2020, income tax expense decreased 15% to \$5.6 million, compared to an income tax expense of \$6.6 million for the same period in Q1 2019. Our effective tax rate decreased 700 bps to 19.8% in Q1 2020, compared to 26.8% in Q1 2019. Decrease in the effective tax rate for Q1 2020 was primarily due to the reduced impact of the US tax reform and a greater proportion of annual income subject to tax in jurisdictions with lower tax rates.

Accounting for the Tax Cuts and Jobs Act (“TCJA”) incorporates assumptions made based on our current enacted interpretations of the TCJA. The accounting may change as we receive additional clarification and implementation guidance of these regulations. In addition, changes in interpretations, assumptions, and guidance regarding the new tax legislation, as well as the potential for technical corrections to the TCJA, could have an impact to our effective tax rate in future periods.

On April 8, 2020, the United States Department of Treasury and the Internal Revenue Service (“IRS”) published final regulations providing guidance addressing hybrid financing arrangements that were introduced in the TCJA. We have recorded income tax benefits of approximately \$6.0 million in the twelve months ended December 31, 2019 and \$1.0 million in the three months ended March 31, 2020 which will be denied by these final regulations. As a result, we will be reflecting an unfavourable adjustment of approximately \$7.0 million in our second quarter earnings to reflect these denied benefits.

### Net income

Net income attributable to stockholders increased 26% to \$22.8 million from \$18.2 million in Q1 2019, in line with higher operating income and also due to \$1.7 million of contingent consideration received related to the disposition of an equity investment. Net income attributable to stockholders also increased due to lower net interest expenses and lower effective tax rate during Q1 2020.

### Diluted EPS

Diluted EPS attributable to stockholders increased 24% to \$0.21 per share for Q1 2020 from \$0.17 per share in Q1 2019.

### U.S. dollar exchange rate comparison

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

Value of one local currency to U.S dollar	2020	2019	% Change 2020 over 2019
<b>Period-end exchange rate</b>			
Canadian dollar	0.7097	0.7491	(5%)
Euro	1.1025	1.1218	(2%)
Australian dollar	0.6118	0.7096	(14%)
<b>Average exchange rate- Three months ended March 31,</b>			
Canadian dollar	0.7453	0.7524	(1%)
Euro	1.1031	1.1355	(3%)
Australian dollar	0.6575	0.7124	(8%)

For Q1 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’. There were no adjusting items in Q1 2020 or Q1 2019.

Adjusted net income attributed to stockholders (non-GAAP measure) increased 26% to \$22.8 million in Q1 2020.

Diluted Adjusted EPS attributable to stockholders (non-GAAP measure) increased 24% to \$0.21 from \$0.17 in Q1 2019.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) (non-GAAP measure) increased 8% to \$56.1 million in Q1 2020.

Debt at the end of Q1 2020, represented 4.3 times net income as at and for the 12 months ended March 31, 2020. This compares to debt at Q1 2019, which represented 5.8 times net income as at and for the 12 months ended March 31, 2019. The decrease in this debt/net income multiplier was primarily due to lower debt balances at March 31, 2020 compared to March 31, 2019, as a result of our voluntary and involuntary debt repayments. The adjusted net debt/adjusted EBITDA (non-GAAP measure) was 1.3 times as at and for the 12 months ended March 31, 2020 compared to 1.7 times as at and for the 12 months ended March 31, 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 March 31, 2020		
	A&M	Other	Consolidated
Service revenue	\$ 154,743	\$ 28,380	\$ 183,123
Inventory sales revenue	90,132	-	90,132
Total revenue	244,875	28,380	273,255
Ancillary and logistical service expenses	-	12,758	12,758
Other costs of services	25,095	1,502	26,597
Cost of inventory sold	81,585	-	81,585
SG&A expenses	91,585	6,800	98,385
Segment profit	\$ 46,610	\$ 7,320	\$ 53,930

(in U.S \$000's)	Three months ended March 31, 2019		
	A&M	Other	Consolidated
Service revenue	\$ 143,437	\$ 28,935	\$ 172,372
Inventory sales revenue	131,057	-	131,057
Total revenue	274,494	28,935	303,429
Ancillary and logistical service expenses	-	13,759	13,759
Other costs of services	20,817	1,493	22,310
Cost of inventory sold	120,475	-	120,475
SG&A expenses	89,182	6,002	95,184
Segment profit	\$ 44,020	\$ 7,681	\$ 51,701

## 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 March 31,		% Change
	2020	2019	2020 over 2019
Service revenue	\$ 154,743	\$ 143,437	8%
Inventory sales revenue	90,132	131,057	(31%)
Total revenue	244,875	274,494	(11%)
A&M service revenue as a % of total A&M revenue	63.2%	52.3%	1090 bps
Inventory sales revenue as a % of total A&M revenue	36.8%	47.7%	(1090) bps
Costs of services	25,095	20,817	21%
Cost of inventory sold	81,585	120,475	(32%)
SG&A expenses	91,585	89,182	3%
A&M segment expenses	\$ 198,265	\$ 230,474	(14%)
Cost of inventory sold as a % of A&M expenses	41.1%	52.3%	(1120) bps
A&M segment profit	\$ 46,610	\$ 44,020	6%
Total GTV	1,147,025	1,174,681	(2%)
A&M service revenue as a % of total GTV- Rate	13.5%	12.2%	130 bps

## Gross Transaction Value

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

### GTV by Channel

(in U.S \$000's, except percentages)	Three months ended March 31,		
	2020	2019	% Change 2020 over 2019
Live on site auctions	\$ 910,002	\$ 971,599	(6%)
Percentage of total	79.3%	82.7%	
Online marketplaces including featured <sup>(1)</sup> and other <sup>(2)</sup>	237,023	203,082	17%
Percentage of total	20.7%	17.3%	
<b>GTV</b>	<b>\$ 1,147,025</b>	<b>\$ 1,174,681</b>	<b>(2%)</b>
<b>Percentage of total GTV purchased by online buyers</b>			
Live on site auctions	69.0%	55.0%	1400 bps
Online marketplaces including featured <sup>(1)</sup> and other <sup>(2)</sup>	100.0%	100.0%	0 bps
<b>Total GTV</b>	<b>75.0%</b>	<b>60.0%</b>	<b>1500 bps</b>

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

(2) This includes GTV from Marketplace-E.

GTV decreased 2% to \$1.1 billion in Q1 2020 compared to Q1 2019. Due to the spread of the COVID-19 virus and the social distancing restrictions put in place by local jurisdictions in the quarter to control the pandemic, we transitioned all our remaining 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 13%, up from 8% in the prior year.

Live on site GTV decreased 6% to \$910.0 million. Due to local emergency measures and Shelter-In-Place orders, we had to postpone four live auctions in the first quarter which adversely impacted our GTV volume. Those four sites generated \$63.0 million of GTV in the prior year. The postponements included the (1) Narita, Japan (2) Caorso, Italy (3) Montreal, Canada and (4) Los Angeles, US auctions. These postponed auctions have all been rescheduled to take place in the second quarter.

Also due to the COVID-19 pandemic, we shifted our Brisbane, Australia live auction to our online platform. We also experienced softness in the International region due to the continuing economic uncertainty in certain markets within Europe and Asia, which was further exacerbated by COVID-19. International also had lower volume of inventory contracts in Europe and Asia as we cycled large inventory packages from last year. Partially offsetting these declines, our US region experienced strong year over year performance in US live auctions, particularly in Las Vegas and Texas, overcoming a lower GTV at our Orlando auction compared to last year.

Online marketplaces GTV increased 17% primarily due to the shift of the Brisbane, Australia live auction to our online platform, and increased volume from US strategic accounts and GovPlanet. In addition, we had higher activity from our Canada Marketplace-E platform.

### Online bidding

Across all channels, 75% of total GTV was purchased by online buyers in Q1 2020 compared to 60% in Q1 2019. 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 Q1 2020.

## GTV by Revenue Type

(in U.S \$000's)	Three months ended March 31,		
	2020	2019	% Change 2020 over 2019
Service GTV	\$ 1,056,893	\$ 1,043,624	1%
Percentage of total	92.1%	88.8%	
Inventory GTV	90,132	131,057	(31%)
Percentage of total	7.9%	11.2%	
<b>GTV</b>	<b>\$ 1,147,025</b>	<b>\$ 1,174,681</b>	<b>(2%)</b>

In Q1 2020, Service GTV increased 1%, while Inventory GTV decreased 31%. The 31% decrease in Inventory GTV is due to 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. We also had a decrease in inventory contracts in our Australia region.

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 15.0% in Q1 2020, compared to 16.5% in Q1 2019, primarily due to lower inventory contracts.

## Industrial Live On Site Metrics

### Total industrial live on site auction metrics

	Three months ended March 31,		
	2020	2019	% Change 2020 over 2019
Number of auctions	30	35	(14%)
Bidder registrations	161,050	143,000	13%
Consignors	10,950	11,550	(5%)
Buyers	29,900	30,750	(3%)
Lots	82,400	86,250	(4%)

In Q1 2020, we held five fewer industrial live on site auction, which led to a 2% decrease in our GTV from our live on site auctions. Due to the developments of the COVID-19 pandemic during the quarter, we postponed four industrial live on site auctions and transferred one live on site auction to our online platform.

In Q1 2020, the total number of industrial lots decreased 4% to 82,400, and the total number of lots including agricultural lots decreased 2% to 85,850, primarily due to fewer industrial live on site auctions held as discussed above.

GTV on a per lot basis generated at our industrial live on site auctions decreased 3% to \$10,640 in Q1 2020 compared to \$11,000 in Q1 2019, primarily due to price softening of transportation equipment.

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

(in U.S. \$000's, except percentages)	12 months ended March 31,		
	2020	2019	% Change 2020 over 2019
GTV	\$ 20.6 million	\$ 21.2 million	(3%)
Bidder registrations	3,971	3,164	26%
Consignors	308	300	3%
Lots	2,216	2,089	6%

For the 12 months ended March 31, 2020, we saw a decrease in average GTV per industrial auction compared to the prior year period due to a higher proportion of low value lots.

## 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 March 31, 2020 was \$12.1 million per Revenue Producer compared to \$11.6 million per Revenue Producer for the trailing 12-month period ended March 31, 2019.

## A&M revenue

Total A&M revenue was \$244.9 million, a decrease of \$29.6 million, or 11%, from Q1 2019.

A&M revenue by geographical region are presented below:

(in U.S \$000's)	Three months ended March 31,		
	2020	2019	% Change 2020 over 2019
<b>United States</b>			
Service revenue	\$ 120,339	\$ 102,975	17%
Inventory sales revenue	56,948	67,944	(16%)
A&M revenue- United States	177,287	170,919	4%
<b>Canada</b>			
Service revenue	18,560	19,768	(6%)
Inventory sales revenue	8,195	3,785	117%
A&M revenue- Canada	26,755	23,553	14%
<b>International</b>			
Service revenue	15,844	20,694	(23%)
Inventory sales revenue	24,989	59,328	(58%)
A&M revenue- International	40,833	80,022	(49%)
<b>Total</b>			
Service revenue	154,743	143,437	8%
Inventory sales revenue	90,132	131,057	(31%)
A&M total revenue	244,875	274,494	(11%)

### United States

In Q1 2020, service revenue increased 17% primarily due to an increase in fees revenue driven by our full harmonization of buyer fees implemented in Q2 2019, fee growth from higher GTV, and fees earned from our 2020 Leake auction and GovPlanet platform. We earned additional fees from a greater proportion of small value lots. Service revenue in the US also increased due to commissions earned from higher rates on our guarantee contracts, and higher volumes on Service GTV growth. Inventory sales revenue decreased 16% as we had strategically accepted a large volume of inventory contracts to secure equipment supply for our 2019 Orlando auction that did not repeat in 2020.

### Canada

In Q1 2020, service revenue decreased 6% primarily due to lower commissions and fees earned on lower Service GTV as a result of postponing our Montreal auction. This was partially offset by an increase in fees revenue driven by the full harmonization of buyer fees. Inventory sales revenue increased 117% primarily due to a large equipment dispersal in Q1 2020.

### International

In Q1 2020, service revenue decreased 23% primarily due to less commission and fee revenue earned on lower GTV. GTV decreased due to the delay of two industrial live on site auctions as impacted by the COVID-19 pandemic, and lower volume of contracts in this region. Partially offsetting the decrease in service revenue was an increase in fee revenue due to the buyer fee harmonization and an increase in the proportion of small value lots. Inventory sales revenue decreased 58% with the non-repeat of supply contracts in Europe and Asia garnered in a more favourable supply environment.

### Costs of services

A&M costs of services increased 21% to \$25.1 million in Q1 2020 compared to Q1 2019. A&M costs of services increased at a higher rate than service GTV due to additional facilities costs incurred to support our Q1 2020 Leake auction and expenses incurred to support our GovPlanet surplus contracts. Due to the COVID-19 pandemic and our restriction on onsite attendance at our live auction facilities, we incurred more marketing costs to promote the changes to our customers.

### **Cost of inventory sold**

A&M cost of inventory sold decreased 32% to \$81.6 million in Q1 2020 compared to Q1 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 with the non-repeat of equipment sold at lower price performance in prior year within the International region.

### **SG&A expenses**

A&M SG&A expenses increased 3% to \$91.6 million in Q1 2020 compared to Q1 2019. The increase was primarily due to additional investments to support our growth initiatives, and partially offset by lower share-based payments. SG&A expenses also increased due to higher travel, advertising and promotion costs.

## **Other Services Segment**

(in U.S \$000's)	Three months ended March 31,		
	2020	2019	% Change 2020 over 2019
Service revenue	\$ 28,380	\$ 28,935	(2%)
Ancillary and logistical service expenses	12,758	13,759	(7%)
Other costs of services	1,502	1,493	1%
SG&A expenses	6,800	6,002	13%
Other services profit	\$ 7,320	\$ 7,681	(5%)

Other Services revenue decreased 2% to \$28.4 million primarily due to \$2.2 million lower revenue from RB Logistics caused by lower inventory sales in Europe requiring logistics. This decrease was partially offset by higher revenue in RBFS of \$1.0 million, Mascus of \$0.3 million, and Ancillary of \$0.3 million.

RBFS revenue increased 16% in Q1 2020 driven by an increase in the rate of fees earned from facilitating financing arrangements, partially offset by lower funded volume. Our funded volume, which represents the amount of lending brokered by RBFS, decreased 3% to \$115.9 million in Q1 2020, and decreased 1% when excluding the impact of foreign exchange.

Other Services profit decreased 5% to \$7.3 million primarily due to higher cost of services driven by our Ancillary operations and SG&A expenses from RBFS. The lower revenue from RB Logistics resulted in a similar magnitude of 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 Q1 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

(in U.S \$000's)	Three months ended March 31,		
	2020	2019	% Change 2020 over 2019
Cash provided by (used in):			
Operating activities	\$ 4,132	\$ 71,903	(94%)
Investing activities	(7,274)	(8,164)	(11%)
Financing activities	(48,361)	(44,696)	8%
Effect of changes in foreign currency rates	(12,828)	(1,376)	832%
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ (64,331)	\$ 17,667	(464%)

Cash provided by operating activities decreased \$67.8 million in the first three months of 2020. This decrease was primarily due to a net negative impact in our operating assets and liabilities that was driven by changes in inventory levels and the timing of auctions over the comparative period. At the end of 2018, we saw particularly high levels of inventory in Europe and the US, which turned over in 2019. In Q1 2019 alone, inventory levels decreased \$37.8 million. This compares to a \$3.2 million decrease in inventory levels in Q1 2020. The change in our operating assets and liabilities in Q1 2020 was negatively impacted by the delay of the Los Angeles and Montreal auctions to Q2 2020 due to COVID-19. The decrease in cash provided by changes in our operating assets and liabilities in Q1 2020 was partially offset by an increase in our net income over the comparative period.

Net cash used in investing activities decreased \$0.9 million in the first three months of 2020. This decrease was primarily due to \$4.2 million of proceeds on the distribution of equity investments in Q1 2020, \$1.7 million of proceeds on contingent consideration from equity investments, partially offset by \$2.3 million higher intangible asset and property, plant and equipment additions, as well as \$2.8 million of net changes in other investing activities over the comparative period.

Net cash used in financing activities increased \$3.7 million in the first three months of 2020. This increase was driven primarily by our \$53.2 million share repurchase in Q1 2020. It was partially offset by a net \$40.3 million increase in net proceeds from short-term debt over the comparative period and \$10.0 million of voluntary term debt repayments in Q1 2019.

### Dividend information

We declared and paid a regular cash dividend of \$0.18 per common share for the quarter ended March 31, 2019. We declared and paid regular cash dividends of \$0.20 per common share for the quarters ended June 30, 2019, September 30, 2019, and December 31, 2019. We have declared, but not yet paid, a dividend of \$0.20 per common share for the quarter ended March 31, 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 55.2% for the 12 months ended March 31, 2020 from 62.9% for the 12 months ended March 31, 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 56.5% for the 12 months ended March 31, 2020 from 64.9% for the 12 months ended March 31, 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 220 bps to 10.2% for the 12-month period ending March 31, 2020 from 8.0% for the 12-month period ending March 31, 2019. This increase is primarily due to an increase in net income attributable to stockholders over the comparative period, as well as a decrease in average stockholders’ equity and long-term debt. Return on invested capital (“ROIC”) (non-GAAP measure) increased 230 bps to 10.0% during the 12 months ended March 31, 2020 compared to 7.7% for the 12 months period ending March 31, 2019.

## Credit facilities

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

(in U.S. \$000's, except percentages)	March 31, 2020	December 31, 2019	% Change
<i>Committed</i>			
Term loan facility	\$ 139,785	\$ 155,355	(10)%
Revolving credit facilities	500,000	500,000	0%
Total credit facilities	\$ 639,785	\$ 655,355	(2)%
<i>Unused</i>			
Revolving credit facilities	461,661	489,937	(6)%
Total credit facilities unused	\$ 461,661	\$ 489,937	(6)%

## Debt covenants

We were in compliance with all financial and other covenants applicable to our credit facilities at March 31, 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, ending May 8, 2020.

For the three months ended March 31, 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

## 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 quarter ended March 31, 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 quarter ended March 31, 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 March 31, 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 March 31, 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 quarter ended March 31, 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 value of our financial assets on the transition date.

#### 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

During the quarter, we adopted Topic 848, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*.

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. 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.

**There were no adjusting items in Q1 2020 or in the comparative prior period.**

(in U.S. \$000's, except percentages)	Three months ended March 31,		
	2020	2019	% Change 2020 over 2019
Operating income	\$ 34,082	\$ 33,588	1%
Adjusted operating income*	\$ 34,082	\$ 33,588	1%

(1) Adjusted operating income\* represents operating income excluding the effects of adjusting items.

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

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

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

There were no adjusting items in Q1 2020 or in the comparative prior period.

(in U.S. \$000's, except share and per share data, and percentages)	Three months ended March 31,		
	2020	2019	% Change 2020 over 2019
Net income attributable to stockholders	\$ 22,809	\$ 18,164	26%
Adjusted net income attributable to stockholders*	\$ 22,809	\$ 18,164	26%
Weighted average number of dilutive shares outstanding	110,482,837	110,044,213	0%
Diluted earnings per share attributable to stockholders	\$ 0.21	\$ 0.17	24%
Diluted adjusted EPS attributable to Stockholders*	\$ 0.21	\$ 0.17	24%

(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 March 31,		
	2020	2019	% Change 2020 over 2019
Net income	\$ 22,829	\$ 18,172	26%
Add: depreciation and amortization expenses	19,293	17,115	13%
Add: interest expense	9,182	10,816	(15%)
Less: interest income	(873)	(855)	2%
Add: income tax expense	5,648	6,639	(15%)
Adjusted EBITDA*	\$ 56,079	\$ 51,887	8%

(1) Please refer to page 42 for a summary of adjusting items during the three months ended March 31, 2020 and March 31, 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 March 31,		
	2020	2019	% Change 2020 over 2019
Short-term debt	\$ 33.1	\$ 8.7	280%
Long-term debt	630.5	703.3	-(10%)
Debt	663.6	712.0	(7%)
Less: Cash and cash equivalents	290.1	266.5	9%
Adjusted net debt*	373.5	445.5	(16%)
Net income	\$ 153.8	\$ 122.5	26%
Add: depreciation and amortization expenses	72.7	67.5	8%
Add: interest expense	39.6	44.0	(10%)
Less: interest income	(3.8)	(3.4)	12%
Add: income tax expense	40.6	32.4	25%
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*	\$ 298.8	\$ 259.6	15%
Debt/net income	4.3x	5.8x	(26%)
Adjusted net debt*/adjusted EBITDA*	1.3x	1.7x	(24%)

- (1) Please refer to page 42 for a summary of adjusting items during the trailing 12-months ended March 31, 2020 and March 31, 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 March 31,		
	2020	2019	% Change 2020 over 2019
Cash provided by operating activities	\$ 265.0	\$ 148.9	78%
Property, plant and equipment additions	14.3	17.1	(16%)
Intangible asset additions	29.0	24.7	17%
Proceeds on disposition of property plant and equipment	(6.0)	(9.8)	(39%)
Net capital spending	\$ 37.3	\$ 32.0	17%
OFCF*	\$ 227.7	\$ 116.9	95%

- (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 March 31,		
	2020	2019	% Change 2020 over 2019
Dividends paid to stockholders	\$ 84.9	\$ 77.0	10%
Net income attributable to stockholders	\$ 153.7	\$ 122.5	25%
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%
Deferred income tax effect of adjusting items:			
Share-based payment expense recovery	0.7	-	100%
Adjusted net income attributable to stockholders*	\$ 150.3	\$ 118.7	27%
Dividend payout ratio	55.2%	62.9%	(770) bps
Adjusted dividend payout ratio*	56.5%	64.9%	(840) bps

(1) Please refer to page 42 for a summary of adjusting items during the trailing 12-months ended March 31, 2020 and March 31, 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:

(in U.S. \$ millions, except percentages)	As at and for the 12 months ended March 31,		
	2020	2019	% Change 2020 over 2019
Net income attributable to stockholders	\$ 153.7	\$ 122.5	25%
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:			
Share-based payment expense recovery	0.7	-	100%
Severance and retention	-	(0.4)	100%
Adjusted net income attributable to stockholders*	\$ 150.3	\$ 118.7	27%
Opening long-term debt	\$ 703.3	\$ 780.3	(10%)
Ending long-term debt	630.5	703.3	(10%)
Average long-term debt	666.9	741.8	(10%)
Opening stockholders' equity	\$ 828.1	\$ 752.3	10%
Ending stockholders' equity	839.8	828.1	1%
Average stockholders' equity	834.0	790.2	6%
Average invested capital	\$ 1,500.9	\$ 1,532.0	(2%)
Return on average invested capital	10.2%	8.0%	220 bps
ROIC*	10.0%	7.7%	230 bps

- (1) Please refer to page 42 for a summary of adjusting items during the trailing 12-months ended March 31, 2020 and March 31, 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 March 31, 2020 were:**

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.

Recognized in the second quarter of 2019

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

**Adjusting items during the trailing 12-months ended March 31, 2019 were:**

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.

Recognized in the second quarter of 2018

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

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

There have been no material changes to our market risk during the three months ended March 31, 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](http://www.rbauction.com), on EDGAR at [www.sec.gov](http://www.sec.gov), or on SEDAR at [www.sedar.com](http://www.sedar.com).

### **ITEM 4: CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

Management of the Company, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), have evaluated the effectiveness of the Company’s disclosure controls and procedures as at March 31, 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 March 31, 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 March 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.