

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: 001-13425



Ritchie Bros. Auctioneers Incorporated

(Exact Name of Registrant as Specified in its Charter)

Canada

98-0626225

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**9500 Glenlyon Parkway
Burnaby, British Columbia, Canada**

V5J 0C6

(Address of Principal Executive Offices)

(Zip Code)

(778) 331-5500

(Registrant's Telephone Number, including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares	RBA	New York Stock Exchange
Common Share Purchase Rights	N/A	New York Stock Exchange

Indicate by checkmark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer
Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):
Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date: 108,265,310 common shares, without par value, outstanding as of May 6, 2020.

RITCHIE BROS. AUCTIONEERS INCORPORATED
FORM 10-Q
For the quarter ended March 31, 2020

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PART I – FINANCIAL INFORMATION

ITEM 1: CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Income Statements

(Expressed in thousands of United States dollars, except share and per share data)

(Unaudited)

	Three months ended	
	March 31,	
	2020	2019
Revenue:		
Service revenue	\$ 183,123	\$ 172,372
Inventory sales revenue	90,132	131,057
Total revenue	<u>273,255</u>	<u>303,429</u>
Operating expenses:		
Costs of services	39,355	36,069
Cost of inventory sold	81,585	120,475
Selling, general and administrative expenses	98,385	95,184
Acquisition-related costs	—	669
Depreciation and amortization expenses	19,293	17,115
Gain on disposition of property, plant and equipment	(47)	(149)
Foreign exchange loss	602	478
Total operating expenses	<u>239,173</u>	<u>269,841</u>
Operating income	<u>34,082</u>	<u>33,588</u>
Interest expense	(9,182)	(10,816)
Other income, net	3,577	2,039
Income before income taxes	<u>28,477</u>	<u>24,811</u>
Income tax expense	5,648	6,639
Net income	<u>\$ 22,829</u>	<u>\$ 18,172</u>
Net income attributable to:		
Stockholders	\$ 22,809	\$ 18,164
Non-controlling interests	20	8
Net income	<u>\$ 22,829</u>	<u>\$ 18,172</u>
Earnings per share attributable to stockholders:		
Basic	\$ 0.21	\$ 0.17
Diluted	<u>\$ 0.21</u>	<u>\$ 0.17</u>
Weighted average number of shares outstanding:		
Basic	109,248,880	108,765,489
Diluted	<u>110,482,837</u>	<u>110,044,213</u>

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income

(Expressed in thousands of United States dollars)

(Unaudited)

	Three months ended	
	March 31,	
	2020	2019
Net income	\$ 22,829	\$ 18,172
Other comprehensive loss, net of income tax:		
Foreign currency translation adjustment	(15,868)	(1,634)
Total comprehensive income	<u>\$ 6,961</u>	<u>\$ 16,538</u>
Total comprehensive income attributable to:		
Stockholders	\$ 6,949	\$ 16,542
Non-controlling interests	12	(4)
	<u>\$ 6,961</u>	<u>\$ 16,538</u>

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Balance Sheets

(Expressed in thousands of United States dollars, except share data)

(Unaudited)

	March 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	\$ 290,094	\$ 359,671
Restricted cash	65,831	60,585
Trade and other receivables	249,454	142,627
Less: allowance for credit losses	(3,727)	(5,225)
Inventory	61,747	64,956
Other current assets	38,043	50,160
Income taxes receivable	8,027	6,810
Total current assets	<u>709,469</u>	<u>679,584</u>
Property, plant and equipment	477,327	484,482
Other non-current assets	132,476	145,679
Intangible assets	225,291	233,380
Goodwill	670,136	672,310
Deferred tax assets	13,019	13,995
Total assets	<u>\$ 2,227,718</u>	<u>\$ 2,229,430</u>
Liabilities and Equity		
Auction proceeds payable	\$ 344,311	\$ 276,188
Trade and other payables	187,783	194,279
Income taxes payable	1,891	7,809
Short-term debt	33,081	4,705
Current portion of long-term debt	16,944	18,277
Total current liabilities	<u>584,010</u>	<u>501,258</u>
Long-term debt	613,536	627,204
Other non-current liabilities	142,569	151,238
Deferred tax liabilities	42,632	42,743
Total liabilities	<u>1,382,747</u>	<u>1,322,443</u>
Commitments and Contingencies (Note 19 and Note 20 respectively)		
Stockholders' equity:		
Share capital:		
Common stock; no par value, unlimited shares authorized, issued and outstanding shares: 108,198,739 (December 31, 2019: 109,337,781)	153,801	194,771
Additional paid-in capital	46,147	52,110
Retained earnings	714,816	714,051
Accumulated other comprehensive loss	(74,959)	(59,099)
Stockholders' equity	<u>839,805</u>	<u>901,833</u>
Non-controlling interest	5,166	5,154
Total stockholders' equity	<u>844,971</u>	<u>906,987</u>
Total liabilities and equity	<u>\$ 2,227,718</u>	<u>\$ 2,229,430</u>

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Equity
(Expressed in thousands of United States dollars, except where noted)
(Unaudited)

	Attributable to stockholders					Non-controlling interest ("NCI")	Total equity	Contingently redeemable performance share units ("PSUs")
	Common stock		Additional paid-in capital ("APIC")	Retained earnings	Accumulated other comprehensive loss			
	Number of shares	Amount						
Three months ended March 31, 2020								
Balance, December 31, 2019	109,337,781	\$ 194,771	\$ 52,110	\$ 714,051	\$ (59,099)	\$ 5,154	\$ 906,987	—
Net income	—	—	—	22,809	—	20	22,829	—
Other comprehensive loss	—	—	—	—	(15,860)	(8)	(15,868)	—
	—	—	—	22,809	(15,860)	12	6,961	—
Stock option exercises	247,446	8,684	(1,630)	—	—	—	7,054	—
Issuance of common stock related to vesting of share units	138,824	3,516	(7,445)	—	—	—	(3,929)	—
Stock option compensation expense	—	—	1,187	—	—	—	1,187	—
Equity-classified PSU expense	—	—	1,786	—	—	—	1,786	—
Equity-classified PSU dividend equivalents	—	—	139	(139)	—	—	—	—
Cash dividends paid	—	—	—	(21,905)	—	—	(21,905)	—
Shares repurchased	(1,525,312)	(53,170)	—	—	—	—	(53,170)	—
Balance, March 31, 2020	108,198,739	\$ 153,801	\$ 46,147	\$ 714,816	\$ (74,959)	\$ 5,166	\$ 844,971	—
Three months ended March 31, 2019								
Balance, December 31, 2018	108,682,030	\$ 181,780	\$ 56,885	\$ 648,255	\$ (56,277)	\$ 5,067	\$ 835,710	923
Net income	—	—	—	18,164	—	8	18,172	—
Other comprehensive loss	—	—	—	—	(1,622)	(12)	(1,634)	—
	—	—	—	18,164	(1,622)	(4)	16,538	—
Stock option exercises	82,926	2,478	(850)	—	—	—	1,628	—
Issuance of common stock related to vesting of share units	193,950	5,039	(10,064)	—	—	—	(5,025)	—
Stock option compensation expense	—	—	1,539	—	—	—	1,539	—
Equity-classified PSU expense	—	—	2,322	—	—	—	2,322	46
Equity-classified PSU dividend equivalents	—	—	222	(237)	—	—	(15)	15
Cash dividends paid	—	—	—	(19,568)	—	—	(19,568)	—
Balance, March 31, 2019	108,958,906	\$ 189,297	\$ 50,054	\$ 646,614	\$ (57,899)	\$ 5,063	\$ 833,129	984

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows
(Expressed in thousands of United States dollars)
(Unaudited)

Three months ended March 31,	2020	2019
Cash provided by (used in):		
Operating activities:		
Net income	\$ 22,829	\$ 18,172
Adjustments for items not affecting cash:		
Depreciation and amortization expenses	19,293	17,115
Stock option compensation expense	1,187	1,539
Equity-classified share unit expense	1,786	2,368
Deferred income tax expense	1,331	1,057
Unrealized foreign exchange (gain) loss	782	(48)
Gain on disposition of property, plant and equipment	(47)	(149)
Amortization of debt issuance costs	756	934
Amortization of right-of-use assets	3,343	2,976
Gain on contingent consideration from equity investment	(1,700)	—
Other, net	1,282	534
Net changes in operating assets and liabilities	(46,710)	27,405
Net cash provided by operating activities	<u>4,132</u>	<u>71,903</u>
Investing activities:		
Property, plant and equipment additions	(3,495)	(2,801)
Intangible asset additions	(7,220)	(5,625)
Proceeds on disposition of property, plant and equipment	333	262
Distribution from equity investment	4,212	—
Proceeds on contingent consideration from equity investment	1,700	—
Other, net	(2,804)	—
Net cash used in investing activities	<u>(7,274)</u>	<u>(8,164)</u>
Financing activities:		
Share repurchase	(53,170)	—
Dividends paid to stockholders	(21,905)	(19,568)
Issuances of share capital	7,054	1,628
Payment of withholding taxes on issuance of shares	(2,984)	(2,047)
Proceeds from short-term debt	29,069	6,741
Repayment of short-term debt	—	(17,946)
Repayment of long-term debt	(4,236)	(12,235)
Repayment of finance lease obligations	(2,189)	(1,269)
Net cash used in financing activities	<u>(48,361)</u>	<u>(44,696)</u>
Effect of changes in foreign currency rates on cash, cash equivalents, and restricted cash	<u>(12,828)</u>	<u>(1,376)</u>
Increase (decrease)	(64,331)	17,667
Beginning of period	420,256	305,567
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 355,925</u>	<u>\$ 323,234</u>

See accompanying notes to the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

1. Summary of significant accounting policies

Ritchie Bros. Auctioneers Incorporated and its subsidiaries (collectively referred to as the “Company”) provide global asset management and disposition services, offering customers end-to-end solutions for buying and selling used industrial equipment and other durable assets through its unreserved live on site auctions, online marketplaces, listing services, and private brokerage services. Ritchie Bros. Auctioneers Incorporated is a company incorporated in Canada under the Canada Business Corporations Act, whose shares are publicly traded on the Toronto Stock Exchange (“TSX”) and the New York Stock Exchange (“NYSE”).

(a) Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with United States generally accepted accounting principles (“US GAAP”). They include the accounts of Ritchie Bros. Auctioneers Incorporated and its subsidiaries from their respective dates of formation or acquisition. All significant intercompany balances and transactions have been eliminated.

Certain information and footnote disclosure required by US GAAP for complete annual financial statements have been omitted and, therefore, these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2019, included in the Company’s Annual Report on Form 10-K, filed with the Securities and Exchange Commission (“SEC”). In the opinion of management, these unaudited condensed consolidated interim financial statements reflect all adjustments, consisting of normal recurring adjustments, which are necessary to present fairly, in all material respects, the Company’s consolidated financial position, results of operations, cash flows and changes in equity for the interim periods presented. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to spread throughout the world. The extent of the impact of the COVID-19 pandemic on the operational and financial performance of the Company, including the ability to execute on 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 the Company’s consignor and buyer base, all of which are uncertain and cannot be easily predicted. Given the dynamic nature of this situation, the Company cannot reasonably estimate the impacts of COVID-19 on its business operations, results of operations, cash flows or financial performance.

(b) Revenue recognition

Revenues are comprised of:

- Service revenue, including the following:
 - i. Revenue from auction and marketplace (“A&M”) activities, including commissions earned at our live auctions, online marketplaces, and private brokerage services where we act as an agent for consignors of equipment and other assets, and various auction-related fees, including listing and buyer transaction fees; and
 - ii. Other services revenue, including revenue from listing services, refurbishment, logistical services, financing, appraisal fees and other ancillary service fees; and
- Inventory sales revenue as part of A&M activities

The Company recognizes revenue when control of the promised goods or services is transferred to our customers, or upon completion of the performance obligation, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. For live event-based auctions or online auctions, revenue is recognized when the auction sale is complete and the Company has determined that the sale proceeds are collectible. Revenue is measured at the fair value of the consideration received or receivable and is shown net of value-added tax and duties.

Service revenue

Commissions from sales at the Company’s auctions represent the percentage earned by the Company on the gross proceeds from equipment and other assets sold at auction. The majority of the Company’s commissions are earned as a pre-negotiated fixed rate of the gross selling price. Other commissions from sales at the Company’s auctions are earned from underwritten commission contracts, when the Company guarantees a certain level of proceeds to a consignor.

Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

1. Summary of significant accounting policies (continued)

(b) Revenue recognition (continued)

Service revenue (continued)

The Company accepts equipment and other assets on consignment stimulating buyer interest through professional marketing techniques and matches sellers (also known as consignors) to buyers through the auction or private sale process. Prior to offering an item for sale on its online marketplaces, the Company also performs inspections.

Following the sale of the item, the Company invoices the buyer for the purchase price of the asset, taxes, and, if applicable, the buyer transaction fee, collects payment from the buyer, and remits the proceeds to the seller, net of the seller commissions, applicable taxes, and applicable fees. Commissions are calculated as a percentage of the hammer price of the property sold at auction. Fees are also charged to sellers for listing and inspecting equipment. Other revenue earned in the process of conducting the Company's auctions include administrative, documentation, and advertising fees.

On the fall of the auctioneer's hammer, the highest bidder becomes legally obligated to pay the full purchase price, which is the hammer price of the property purchased and the seller is legally obligated to relinquish the property in exchange for the hammer price less any seller's commissions. Commission and fee revenue are recognized on the date of the auction sale upon the fall of the auctioneer's hammer.

Under the standard terms and conditions of its auction sales, the Company is not obligated to pay a consignor for property that has not been paid for by the buyer, provided the property has not been released to the buyer. If the buyer defaults on its payment obligation, also referred to as a collapsed sale, the sale is cancelled in the period in which the determination is made, and the property is returned to the consignor or placed in a later event-based or online auction. Historically cancelled sales have not been material.

Online marketplace commission revenue is reduced by a provision for disputes, which is an estimate of disputed items that are expected to be settled at a cost to the Company, related to settlements of discrepancies under the Company's equipment condition certification program. The equipment condition certification refers to a written inspection report provided to potential buyers that reflects the condition of a specific piece of equipment offered for sale, and includes ratings, comments, and photographs of the equipment following inspection by one of the Company's equipment inspectors.

The equipment condition certification provides that a buyer may file a written dispute claim during an eligible dispute period for consideration and resolution at the sole determination of the Company if the purchased equipment is not substantially in the condition represented in the inspection report. Typically disputes under the equipment condition certification program are settled with minor repairs or additional services, such as washing or detailing the item; the estimated costs of such items or services are included in the provision for disputes.

Commission revenue are recorded net of commissions owed to third parties, which are principally the result of situations when the commission is shared with a consignor in an auction guarantee risk and reward sharing arrangement.

Underwritten commission contracts can take the form of guarantee contracts. Guarantee contracts typically include a pre-negotiated percentage of the guaranteed gross proceeds plus a percentage of proceeds in excess of the guaranteed amount. If actual auction proceeds are less than the guaranteed amount, commission is reduced; if proceeds are sufficiently lower, the Company can incur a loss on the sale. Losses, if any, resulting from guarantee contracts are recorded in the period in which the relevant auction is completed. If a loss relating to a guarantee contract held at the period end to be sold after the period end is known or is probable and estimable at the financial statement reporting date, the loss is accrued in the financial statements for that period. The Company's exposure from these guarantee contracts fluctuates over time.

Other services revenue also includes fees for refurbishment, logistical services, financing, appraisal fees and other ancillary service fees. Fees are recognized in the period in which the service is provided to the customer.

Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

1. Summary of significant accounting policies (continued)

(b) Revenue recognition (continued)

Inventory sales revenue

Underwritten commission contracts can take the form of inventory contracts. Revenue related to inventory contracts is recognized in the period in which the sale is completed, title to the property passes to the purchaser and the Company has fulfilled any other obligations that may be relevant to the transaction. In its role as auctioneer, the Company auctions its inventory to equipment buyers through the auction process. Following the sale of the item, the Company invoices the buyer for the purchase price of the asset, taxes, and, if applicable, the buyer transaction fee, and collects payment from the buyer.

On the fall of the auctioneer's hammer, the highest bidder becomes legally obligated to pay the full purchase price, which is the hammer price of the property purchased. Title to the property is transferred in exchange for the hammer price, and if applicable, the buyer transaction fee plus applicable taxes.

(c) Costs of services

Costs of services are comprised of expenses incurred in direct relation to conducting auctions ("direct expenses"), earning online marketplace revenue, and earning other fee revenue. Direct expenses include direct labour, buildings and facilities charges, travel, advertising and promotion costs and fees paid to unrelated third parties who introduce the Company to equipment sellers who sell property at the Company's auctions and marketplaces.

Costs of services incurred to earn online marketplace revenue in addition to the costs listed above also include inspection costs. Inspections are generally performed at the seller's physical location. The cost of inspections includes payroll costs and related benefits for the Company's employees that perform and manage field inspection services, the related inspection report preparation and quality assurance costs, fees paid to contractors who perform field inspections, related travel and incidental costs for the Company's inspection service organization, and office and occupancy costs for its inspection services personnel. Costs of earning online marketplace revenue also include costs for the Company's customer support, online marketplace operations, logistics, title and lien investigation functions.

Costs of services incurred in earning other fee revenue include ancillary and logistical service expenses, direct labour (including commissions on sales), software maintenance fees, and materials. Costs of services exclude depreciation and amortization expenses.

(d) Cost of inventory sold

Cost of inventory sold includes the purchase price of assets sold for the Company's own account and is determined using a specific identification basis.

(e) Share-based payments

The Company classifies a share-based payment award as an equity or liability payment based on the substantive terms of the award and any related arrangement.

Equity-classified share-based payments

Share unit plans

The Company has a senior executive performance share unit ("PSU") plan and an employee PSU plan that provides for the award of PSUs to certain senior executives and employees, respectively, of the Company. The Company has the option to settle certain share unit awards in cash or shares and expects to settle them in shares. The cost of PSUs granted is measured at the fair value of the underlying PSUs at the grant date. PSUs vest based on the passage of time and achievement of performance criteria.

The Company also has a senior executive restricted share unit ("RSU") plan and an employee RSU plan that provides for the award of RSUs to certain senior executives and employees, respectively, of the Company. The Company has the option to settle certain share unit awards in cash or shares and expects to settle all grants on and after 2017 in shares. The cost of RSUs granted is measured at the fair value based on the fair value of the Company's common shares at the grant date. RSUs vest based on the passage of time and include restrictions related to employment.

Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

1. Summary of significant accounting policies (continued)

(e) Share-based payments (continued)

Equity-classified share-based payments (continued)

Share unit plans (continued)

This fair value of awards expected to vest under these plans is expensed over the respective remaining service period of the individual awards, on an accelerated recognition basis, with the corresponding increase to APIC recorded in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in earnings, such that the consolidated expense reflects the revised estimate, with a corresponding adjustment to equity. Dividend equivalents on the equity-classified PSUs and RSUs are recognized as a reduction to retained earnings over the service period.

Stock option plans

The Company has three stock option compensation plans that provide for the award of stock options to selected employees, directors and officers of the Company. The cost of options granted is measured at the fair value of the underlying option at the grant date using the Black-Scholes option pricing model. The fair value of options expected to vest under these plans is expensed over the respective remaining service period of the individual awards, on an accelerated recognition basis, with the corresponding increase to APIC recorded in equity. Upon exercise, any consideration paid on exercise of the stock options and amounts fully amortized in APIC are credited to the common shares.

Liability-classified share-based payments

The Company maintains other share unit compensation plans that vest over a period of up to three years after grant. Under those plans, the Company is either required or expects to settle vested awards on a cash basis or by providing cash to acquire shares on the open market on the employee's behalf, where the settlement amount is determined based on the average price of the Company's common shares prior to the vesting date or, in the case of deferred share unit ("DSU") recipients, following cessation of service on the Board of Directors.

These awards are classified as liability awards, measured at fair value at the date of grant and re-measured at fair value at each reporting date up to and including the settlement date. The determination of the fair value of the share units under these plans is described in note 17. The fair value of the awards is expensed over the respective vesting period of the individual awards with recognition of a corresponding liability. Changes in fair value after vesting are recognized through compensation expense. Compensation expense reflects estimates of the number of instruments expected to vest.

The impact of forfeitures and fair value revisions, if any, are recognized in earnings such that the cumulative expense reflects the revisions, with a corresponding adjustment to the settlement liability. Liability-classified share unit liabilities due within 12 months of the reporting date are presented in trade and other payables while settlements due beyond 12 months of the reporting date are presented in other non-current liabilities.

(f) Leases

The Company determines if an arrangement is a lease at inception. The Company may have lease agreements with lease and non-lease components, which are generally accounted for separately. Additionally, for certain vehicle and equipment leases, management applies a portfolio approach to account for the right-of-use ("ROU") assets and liabilities for assets leased with similar lease terms.

Operating leases

Operating leases are included in other non-current assets, trade and other payables, and other non-current liabilities in our consolidated balance sheets if the initial lease term is greater than 12 months. For leases with an initial term of 12 months or less the Company recognizes those lease payments on a straight-line basis over the lease term.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, management uses the incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Management uses the implicit rate when readily determinable. The Company includes lease payments for renewal or termination options in its determination of lease term, ROU asset, and lease liability when it is reasonably certain that the Company will exercise these options. Lease expense for lease payments is recognized on a straight-line basis over the lease term and are included in Costs of services or Selling, general, and administrative ("SG&A") expenses.

Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

1. Summary of significant accounting policies (continued)

(f) Leases (continued)

Finance leases

Finance lease ROU assets are included in property, plant and equipment, trade and other payables, and other non-current liabilities in our consolidated balance sheets.

Finance lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, management uses the incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Management uses the implicit rate when readily determinable. The Company includes lease payments for renewal, purchase options, or termination options in its determination of lease term, ROU asset, and lease liability when it is reasonably certain that the Company will exercise these options. Finance lease ROU assets are generally amortized over the lease term and are included in depreciation expense. The interest on the finance lease liabilities is included in interest expense.

(g) Inventories

Inventory consists of equipment and other assets purchased for resale in an upcoming live on site auction or online marketplace event. The Company typically purchases 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. In addition, certain jurisdictions require auctioneers to hold title to assets and facilitate title transfer on sale. Inventory is valued 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. As part of its government business, the Company purchases inventory for resale as part of its commitment to purchase certain surplus government property (note 19). The significant elements of cost include the acquisition price of the inventory and make-ready costs to prepare the inventory for sale that are not selling expenses and in-bound transportation costs. Write-downs to the carrying value of inventory are recorded in cost of inventory sold on the consolidated income statement.

(h) Impairment of long-lived and indefinite-lived assets

Long-lived assets, comprised of property, plant and equipment and intangible assets subject to amortization, are assessed for impairment whenever events or circumstances indicate that their carrying value 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. An impairment loss is recognized when the carrying value of the assets or asset groups is greater than the future projected undiscounted cash flows. The impairment loss is calculated as the excess of the carrying value over the fair value of the asset or asset group. Fair value is based on valuation techniques or third party appraisals. Significant estimates and judgments are applied in determining these cash flows and fair values.

Indefinite-lived intangible assets are tested annually for impairment as of December 31, and between annual tests if indicators of potential impairment exist. The Company has the option of performing a qualitative assessment to first determine whether the quantitative impairment test is necessary. This involves 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. If the qualitative assessment indicates it is not more likely than not that the carrying amount is less than its fair value, a quantitative impairment test is not required. Where a quantitative impairment test is required, the procedure is to compare the indefinite-lived intangible asset's fair value with its carrying amount. An impairment loss is recognized as the difference between the indefinite-lived intangible asset's carrying amount and its fair value.

(i) Goodwill

Goodwill represents the excess of the purchase price of an acquired enterprise over the fair value assigned to the assets acquired and liabilities assumed in a business combination.

Goodwill is not amortized, but it is tested annually for impairment at the reporting unit level as of December 31, and between annual tests if indicators of potential impairment exist. The Company has the option of performing a qualitative assessment of a reporting unit to first determine whether the quantitative impairment test is necessary. This involves 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 reporting unit to which goodwill belongs is less than its fair value. If the qualitative assessment indicates it is not more likely than not that the reporting unit's carrying amount is less than its fair value, a quantitative impairment test is not required.

Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

1. Summary of significant accounting policies (continued)

(i) Goodwill (continued)

If a quantitative impairment test is required, the procedure is to identify potential impairment by comparing the reporting unit's fair value with its carrying amount, including goodwill. The reporting unit's fair value is determined using various valuation approaches and techniques that involve assumptions based on what the Company believes a hypothetical marketplace participant would use in estimating fair value on the measurement date. An impairment loss is recognized as the difference between the reporting unit's carrying amount and its fair value. If the difference between the reporting unit's carrying amount and fair value is greater than the amount of goodwill allocated to the reporting unit, the impairment loss is restricted by the amount of the goodwill allocated to the reporting unit.

(j) New and amended accounting standards

- a. Effective January 1, 2020, the Company adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), *Measurement of Credit Losses on Financial Instruments*. The new standard 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." In applying the new standard, the Company has adopted the loss rate methodology to estimate historical losses on trade receivables. The historical data is adjusted to account for forecasted changes in the macroeconomic environment in order to calculate the current expected credit loss.

The Company's adoption of ASC 326 did not result in a material change in the carrying values of the Company's financial assets on the transition date. Periods prior to January 1, 2020 that are presented for comparative purposes have not been adjusted.

- b. In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848), *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The update provides "optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued." The amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company is currently evaluating existing contracts and the optional expedients provided by the new standard.
- c. Effective January 1, 2020, the Company 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 update aligns the accounting for costs incurred to implement a cloud computing arrangement that is a service agreement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. The adoption of ASU 2018-15 during the quarter ended March 31, 2020 using the prospective transition approach did not result in a material impact to the consolidated financial statements.

2. Significant judgments, estimates and assumptions

The preparation of financial statements in conformity with US GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Future differences arising between actual results and the judgments, estimates and assumptions made by the Company at the reporting date, or future changes to estimates and assumptions, could necessitate adjustments to the underlying reported amounts of assets, liabilities, revenues and expenses in future reporting periods.

Judgments, estimates and underlying assumptions are evaluated on an ongoing basis by management and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances and such changes are reflected in the assumptions when they occur. Significant items subject to estimates include purchase price allocations, the carrying amounts of goodwill, the useful lives of long-lived assets, share based compensation, the determination of lease term and lease liabilities, deferred income taxes, reserves for tax uncertainties, and other contingencies.

For the quarter ended March 31, 2020, the Company performed a qualitative assessment of the A&M reporting unit and the Mascus reporting unit with consideration of the current global economic downturn as a result of COVID-19 and the Company concluded there were no indicators of impairment.

Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

3. Seasonality

The Company's operations are both seasonal and event driven. Historically, revenues tend to be the highest during the second and fourth calendar quarters. The Company generally conducts more live, on site auctions during these quarters than during the first and third calendar quarters. Late December through mid-February and mid-July through August are traditionally less active periods. Online volumes are similarly affected as supply of used equipment is lower in the third quarter as it is actively being used and not available for sale.

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

4. Segmented information

The Company's principal business activity is the management and disposition of used industrial equipment and other durable assets. The Company's operations are comprised of one reportable segment and other business activities that are not reportable as follows:

- Auctions and Marketplaces – This is the Company's only reportable segment, which consists of the Company's live on site auctions, its online auctions and marketplaces, and its brokerage service;
- Other includes the results of Ritchie Bros. Financial Services ("RBFS"), Mascus online services, and the results from various value-added services and make-ready activities, including the Company's equipment refurbishment services, asset appraisal services, and Ritchie Bros. Logistical Services.

	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
Costs of services	25,095	14,260	39,355
Cost of inventory sold	81,585	—	81,585
Selling, general and administrative expenses ("SG&A")	91,585	6,800	98,385
Segment profit	\$ 46,610	\$ 7,320	\$ 53,930
Depreciation and amortization expenses ("D&A")			19,293
Gain on disposition of property, plant and equipment ("PPE")			(47)
Foreign exchange loss			602
Operating income			\$ 34,082
Interest expense			(9,182)
Other income, net			3,577
Income tax expense			(5,648)
Net income			\$ 22,829

	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
Costs of services	20,817	15,252	36,069
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
Acquisition-related costs			669
D&A expenses			17,115
Gain on disposition of PPE			(149)
Foreign exchange loss			478
Operating income			\$ 33,588
Interest expense			(10,816)
Other income, net			2,039
Income tax expense			(6,639)
Net income			\$ 18,172

Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

4. Segmented information (continued)

The Company's geographic breakdown of total revenue as determined by the revenue and location of assets, which represents property, plant and equipment, is as follows:

	United States	Canada	Europe	Other	Consolidated
Total revenue for the three months ended:					
March 31, 2020	\$ 190,530	\$ 35,643	\$ 26,338	\$ 20,744	\$ 273,255
March 31, 2019	183,573	31,531	54,785	33,540	303,429

5. Revenue

The Company's revenue from the rendering of services is as follows:

	Three months ended March 31,	
	2020	2019
Service revenue:		
Commissions	\$ 93,484	\$ 92,280
Fees	89,639	80,092
	183,123	172,372
Inventory sales revenue	90,132	131,057
	\$ 273,255	\$ 303,429

6. Operating expenses

Costs of services

	Three months ended March 31,	
	2020	2019
Ancillary and logistical service expenses	\$ 12,758	\$ 13,759
Employee compensation expenses	12,304	10,807
Buildings, facilities and technology expenses	4,039	2,134
Travel, advertising and promotion expenses	6,575	5,868
Other costs of services	3,679	3,501
	\$ 39,355	\$ 36,069

SG&A expenses

	Three months ended March 31,	
	2020	2019
Employee compensation expenses	\$ 62,495	\$ 61,464
Buildings, facilities and technology expenses	15,591	15,915
Travel, advertising and promotion expenses	10,269	9,142
Professional fees	4,447	4,075
Other SG&A expenses	5,583	4,588
	\$ 98,385	\$ 95,184

Depreciation and amortization expenses

	Three months ended March 31,	
	2020	2019
Depreciation expense	\$ 8,037	\$ 7,168
Amortization expense	11,256	9,947
	\$ 19,293	\$ 17,115

Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

7. Income taxes

At the end of each interim period, the Company estimates 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 the three months ended March 31, 2020, income tax expense was \$5,648,000 compared to an income tax expense of \$6,639,000 for the same period in 2019. The effective tax rate was 20% in the first quarter of 2020, compared to 27% in the first quarter of 2019. The effective tax rate decreased in the first quarter of 2020 compared to the first quarter of 2019 primarily due to the reduced impact of the U.S. tax reform and a greater proportion of annual income subject to tax in jurisdictions with lower tax rates.

The Tax Cuts and Jobs Act, or TCJA, was enacted on December 22, 2017. It is possible that additional legislation, regulations and/or guidance may be issued, and possibly with retroactive effect, in the future that may result in additional adjustments to the tax expense recorded related to the TCJA. For additional information see Note 21.

8. Earnings per share attributable to stockholders

Basic earnings per share ("EPS") attributable to stockholders was calculated by dividing the net income attributable to stockholders by the weighted average ("WA") number of common shares outstanding during the period. Diluted EPS attributable to stockholders was calculated by dividing the net income attributable to stockholders by the WA number of shares of common stock outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include unvested PSUs, unvested RSUs, and outstanding stock options. The dilutive effect of potentially dilutive securities is reflected in diluted earnings per share by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of the Company's common stock can result in a greater dilutive effect from potentially dilutive securities.

	Net income attributable to stockholders	WA number of shares	Per share amount
Three months ended March 31, 2020			
Basic	\$ 22,809	109,248,880	\$ 0.21
Effect of dilutive securities:			
Share units	—	586,074	—
Stock options	—	647,883	—
Diluted	\$ 22,809	110,482,837	\$ 0.21

	Net income attributable to stockholders	WA number of shares	Per share amount
Three months ended March 31, 2019			
Basic	\$ 18,164	108,765,489	\$ 0.17
Effect of dilutive securities:			
Share units	—	486,626	—
Stock options	—	792,098	—
Diluted	\$ 18,164	110,044,213	\$ 0.17

Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

9. Supplemental cash flow information

Three months ended March 31,	2020	2019
Trade and other receivables	\$ (113,115)	\$ (91,605)
Inventory	1,297	37,135
Advances against auction contracts	4,923	(1,041)
Prepaid expenses and deposits	(597)	(492)
Income taxes receivable	(1,217)	(1,458)
Auction proceeds payable	72,687	120,036
Trade and other payables	(3,138)	(36,887)
Income taxes payable	(5,030)	1,496
Operating lease obligation	(2,310)	(2,296)
Other	(210)	2,517
Net changes in operating assets and liabilities	<u>\$ (46,710)</u>	<u>\$ 27,405</u>
Three months ended March 31,	2020	2019
Interest paid, net of interest capitalized	\$ 15,171	\$ 16,521
Interest received	778	855
Net income taxes paid	12,442	6,339
Non-cash purchase of property, plant and equipment under capital lease	3,502	2,564
Non-cash right of use assets obtained (reassessed) in exchange for new lease obligations	(1,001)	784
	March 31,	December 31,
	2020	2019
Cash and cash equivalents	\$ 290,094	\$ 359,671
Restricted cash	65,831	60,585
Cash, cash equivalents, and restricted cash	<u>\$ 355,925</u>	<u>\$ 420,256</u>

10. Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement or disclosure:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs for the asset or liability.

	Category	<u>March 31, 2020</u>		<u>December 31, 2019</u>	
		Carrying amount	Fair value	Carrying amount	Fair value
<i>Fair values disclosed:</i>					
Cash and cash equivalents	Level 1	\$ 290,094	\$ 290,094	\$ 359,671	\$ 359,671
Restricted cash	Level 1	65,831	65,831	60,585	60,585
Short-term debt	Level 2	33,081	33,081	4,705	4,705
Long-term debt					
Senior unsecured notes	Level 1	491,381	502,813	490,933	520,625
Term loans	Level 2	139,099	139,785	154,548	155,355

The carrying value of the Company's cash and cash equivalents, restricted cash, trade and other receivables, advances against auction contracts, auction proceeds payable, trade and other payables, and short term debt approximate their fair values due to their short terms to maturity. The carrying value of the term loans, before deduction of deferred debt issue costs, approximates their fair value as the interest rates on the loans were short-term in nature. The fair value of the senior unsecured notes is determined by reference to a quoted market price.

Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

11. Trade receivables

Trade receivables are generally secured by the equipment that they relate to as it is Company policy that equipment is not released until payment has been collected. The following table presents the activity in the allowance for expected credit losses for the period ended March 31, 2020:

Opening balance at January 1, 2020	(5,225)
Current period provision	(658)
Write-off charged against the allowance	2,156
Balance, March 31, 2020	<u>\$ (3,727)</u>

12. Other current assets

	March 31, 2020	December 31, 2019
Advances against auction contracts	\$ 7,830	\$ 12,925
Assets held for sale	8,163	15,051
Prepaid expenses and deposits	22,050	22,184
	<u>\$ 38,043</u>	<u>\$ 50,160</u>

Assets held for sale

Balance, December 31, 2019	15,051
Reclassified from (to) property, plant and equipment	(6,888)
Disposal	—
Balance, March 31, 2020	<u>\$ 8,163</u>

As at March 31, 2020, the Company's assets held for sale consisted of one excess auction site located in the United States. Management made the strategic decision to sell this property to maximize the Company's return on invested capital. The estimated sales proceeds are expected to be in excess of the current book value. The property has been actively marketed for sale, and management expects the sales to be completed within 12 months of March 31, 2020. The property belongs to the A&M reportable segment.

13. Other non-current assets

	March 31, 2020	December 31, 2019
Right-of-use assets	\$ 107,646	\$ 116,209
Tax receivable	10,126	11,792
Equity-accounted investments	—	4,276
Deferred debt issue costs	1,211	1,403
Other	13,493	11,999
	<u>\$ 132,476</u>	<u>\$ 145,679</u>

During the quarter, the Company received a final distribution of its equity-accounted investments in the Cura Classis entities. The transaction did not result in a material gain or loss.

Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

14. Debt

	Carrying amount	
	March 31, 2020	December 31, 2019
Short-term debt	\$ 33,081	\$ 4,705
Long-term debt:		
Term loan:		
Denominated in Canadian dollars, secured, bearing interest at a weighted average rate of 3.905%, due in monthly installments of interest only and quarterly installments of principal, maturing in October 2021	139,785	155,355
Less: unamortized debt issue costs	(686)	(807)
Senior unsecured notes:		
Bearing interest at 5.375% due in semi-annual installments, with the full amount of principal due in January 2025	500,000	500,000
Less: unamortized debt issue costs	(8,619)	(9,067)
Total long-term debt	<u>630,480</u>	<u>645,481</u>
Total debt	<u>\$ 663,561</u>	<u>\$ 650,186</u>
Long-term debt:		
Current portion	\$ 16,944	\$ 18,277
Non-current portion	613,536	627,204
Total long-term debt	<u>\$ 630,480</u>	<u>\$ 645,481</u>

Short-term debt is comprised of drawings in different currencies on the Company's committed revolving credit facilities, and for the three months ended March 31, 2020, have a weighted average interest rate of 3.1% (December 31, 2019: 2.3%).

As at March 31, 2020, the Company had unused committed revolving credit facilities aggregating \$461,660,000 of which \$457,225,000 is available until October 27, 2021 subject to certain covenant restrictions. The Company was in compliance with all financial and other covenants applicable to the credit facilities at March 31, 2020.

15. Other non-current liabilities

	March 31, 2020	December 31, 2019
Operating lease liability	\$ 103,947	\$ 111,322
Tax payable	19,189	20,232
Finance lease liability	16,602	16,336
Other	2,831	3,348
	<u>\$ 142,569</u>	<u>\$ 151,238</u>

16. Equity and dividends

Share capital

Preferred stock

Unlimited number of senior preferred shares, without par value, issuable in series.

Unlimited number of junior preferred shares, without par value, issuable in series.

All issued shares are fully paid. No preferred shares have been issued.

Share repurchase

There were 1,525,312 common shares repurchased for \$53,170,000 during the three months ended March 30, 2020 (March 30, 2019: no repurchased common shares).

Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

16. Equity and dividends (continued)

Dividends

Declared and paid

The Company declared and paid the following dividends during the three months ended March 31, 2020 and 2019:

	Declaration date	Dividend per share	Record date	Total dividends	Payment date
Fourth quarter 2019	January 24, 2020	\$ 0.2000	February 14, 2020	\$ 21,905	March 6, 2020
Fourth quarter 2018	January 25, 2019	\$ 0.1800	February 15, 2019	\$ 19,568	March 8, 2019

Declared and undistributed

Subsequent to March 31, 2020, the Company's Board of Directors declared a quarterly dividend of \$0.20 cents per common share, payable on June 17, 2020 to stockholders of record on May 27, 2020. This dividend payable has not been recognized as a liability in the financial statements. The payment of this dividend will not have any tax consequences for the Company.

Foreign currency translation reserve

Foreign currency translation adjustments include intra-entity foreign currency transactions that are of a long-term investment nature, which generated a net loss of \$7,492,000 for the three months ended March 31, 2020 (2019: net loss of \$855,000).

17. Share-based payments

Share-based payments consist of the following compensation costs:

Three months ended March 31,	2020	2019
Stock option compensation expense:		
SG&A expenses	\$ 1,187	\$ 1,539
Share unit expense:		
Equity-classified share units	1,786	2,368
Liability-classified share units	(1,156)	150
Employee share purchase plan - employer contributions	590	553
	<u>\$ 2,407</u>	<u>\$ 4,610</u>

Share unit expense and employer contributions to the employee share purchase plan are recognized in SG&A expenses.

Stock option plans

Stock option activity for the three months ended March 31, 2020 is presented below:

	Common shares under option	WA exercise price	WA remaining contractual life (in years)	Aggregate intrinsic value
Outstanding, December 31, 2019	2,797,189	\$ 29.05	7.1	\$ 38,874
Granted	642,380	40.64		
Exercised	(247,446)	28.51		3,536
Forfeited	(22,016)	30.11		
Expired	(1,201)	21.82		
Outstanding, March 31, 2020	<u>3,168,906</u>	<u>31.44</u>	<u>7.6</u>	<u>13,039</u>
Exercisable, March 31, 2020	<u>1,790,002</u>	<u>\$ 27.68</u>	<u>6.5</u>	<u>\$ 11,638</u>

The significant assumptions used to estimate the fair value of stock options granted during the three months ended March 31, 2020 and 2019 are presented in the following table on a weighted average basis:

Three months ended March 31,	2020	2019
Risk free interest rate	0.75 %	2.5 %
Expected dividend yield	2.02 %	2.06 %
Expected lives of the stock options	5 years	5 years
Expected volatility	27.3 %	26.8 %

Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

17. Share-based payments (continued)

Stock option plans (continued)

As at March 31, 2020, the unrecognized stock-based compensation cost related to the non-vested stock options was \$7,472,000, which is expected to be recognized over a weighted average period of 2.6 years.

Share unit plans

Share unit activity for the three months ended March 31, 2020 is presented below:

	Equity-classified awards				Liability-classified awards	
	PSUs		RSUs		DSUs	
	Number	WA grant date fair value	Number	WA grant date fair value	Number	WA grant date fair value
Outstanding, December 31, 2019	428,724	\$ 32.89	237,420	\$ 29.72	\$ 118,368	\$ 29.64
Granted	181,883	41.60	23,163	41.11	5,407	40.43
Vested and settled	(156,238)	31.94	(7,539)	36.29	—	—
Forfeited	(2,644)	33.29	(311)	32.82	—	—
Outstanding, March 31, 2020	451,725	\$ 36.73	252,733	\$ 30.57	\$ 123,775	\$ 30.11

PSUs

The Company grants PSUs under a senior executive PSU plan and an employee PSU plan (the “PSU Plans”). Under the PSU Plans, the number of PSUs that vest is conditional upon specified market, service, or performance vesting conditions being met. The PSU Plans allow the Company to choose whether to settle the awards in cash or in shares. The Company intends to settle in shares. With respect to settling in shares, the Company has the option to either (i) arrange for the purchase shares on the open market on the employee’s behalf based on the cash value that otherwise would be delivered, or (ii) to issue a number of shares equal to the number of units that vest.

As at March 31, 2020 the unrecognized share unit expense related to equity-classified PSUs was \$11,247,000, which is expected to be recognized over a weighted average period of 2.5 years.

RSUs

The Company has RSU plans that are equity-settled and not subject to market vesting conditions.

As at March 31, 2020, the unrecognized share unit expense related to equity-classified RSUs was \$2,734,000, which is expected to be recognized over a weighted average period of 1.3 years.

DSUs

The Company has DSU plans that are cash-settled and not subject to market vesting conditions.

Fair values of DSUs are estimated on grant date and at each reporting date. DSUs are granted under the DSU plan to members of the Board of Directors. There is no unrecognized share unit expense related to liability-classified DSUs as they vest immediately and are expensed upon grant.

As at March 31, 2020, the Company had a total share unit liability of \$4,176,000 (December 31, 2019: \$5,130,000) in respect of share units under the DSU plans.

Employee share purchase plan

The Company has an employee share purchase plan that allows all employees that have completed two months of service to contribute funds to purchase common shares at the current market value at the time of share purchase. Employees may contribute up to 4% of their salary. The Company will match between 50% and 100% of the employee’s contributions, depending on the employee’s length of service with the Company.

Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

18. Leases

The Company's breakdown of lease expense is as follows:

Three months ended March 31,	2020	2019
Operating lease cost	\$ 4,501	\$ 5,212
Finance lease cost		
Amortization of leased assets	2,114	1,760
Interest on lease liabilities	233	155
Short-term lease cost	2,880	2,565
Sublease income	(148)	(154)
	<u>\$ 9,580</u>	<u>\$ 9,538</u>

Operating leases

The Company has entered into commercial leases for various auction sites and offices located in North America, Europe, the Middle East and Asia. The majority of these leases are non-cancellable. The Company also has further operating leases for computer equipment, certain motor vehicles and small office equipment where it is not in the best interest of the Company to purchase these assets.

The majority of the Company's operating leases have a fixed term with a remaining life between one month and 20 years, with renewal options included in the contracts. The leases have varying contract terms, escalation clauses and renewal options. Generally, there are no restrictions placed upon the lessee by entering into these leases, other than restrictions on use of property, sub-letting and alterations. At the inception of a lease, the Company determines whether it is reasonably certain to exercise a renewal option and includes the options in the determination of the lease term and the lease liability where it is reasonably certain to exercise the option. If the Company's intention is to exercise an option subsequent to the commencement of the lease, the Company will re-assess the lease term. The Company has included certain renewal options in its operating lease liabilities for key property leases for locations that have strategic importance to the Company such as its Corporate Head Office. The Company has not included any purchase options available within its operating lease portfolio in its determination of its operating lease liability.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Remainder of 2020	\$ 11,659
2021	12,770
2022	11,619
2023	10,146
2024	8,608
Thereafter	101,434
Total future minimum lease payments	<u>\$ 156,236</u>
less: imputed interest	(42,051)
Total operating lease liability	<u>\$ 114,185</u>
less: operating lease liability - current	(10,238)
Total operating lease liability - non-current	<u>\$ 103,947</u>

At March 31, 2020 the weighted average remaining lease term for operating leases is 15.6 years and the weighted average discount rate is 4.2%.

Finance leases

The Company has entered into finance lease arrangements for certain vehicles, computer and yard equipment and office furniture. The majority of the leases have a fixed term with a remaining life of one month to six years with renewal options included in the contracts. In certain of these leases, the Company has the option to purchase the leased asset at fair market value or a stated residual value at the end of the lease term. For certain leases such as vehicle leases the Company has included renewal options in the determination of its lease liabilities. The Company has not included any purchase options available within its finance lease portfolio in its determination of the finance lease liability.

Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

18. Leases (continued)

Finance leases (continued)

As at March 31, 2020, the net carrying amount of computer and yard equipment and other assets under capital leases is \$23,817,000 (December 31, 2019: \$23,258,000), and is included in the total property, plant and equipment as disclosed on the consolidated balance sheets.

As at March 31, 2020	Cost	Accumulated depreciation	Net book value
Computer equipment	\$ 13,047	\$ (6,096)	\$ 6,951
Yard and others	23,591	(6,725)	16,866
	<u>\$ 36,638</u>	<u>\$ (12,821)</u>	<u>\$ 23,817</u>

As at December 31, 2019	Cost	Accumulated depreciation	Net book value
Computer equipment	\$ 15,314	\$ (7,832)	\$ 7,482
Yard and others	21,525	(5,749)	15,776
	<u>\$ 36,839</u>	<u>\$ (13,581)</u>	<u>\$ 23,258</u>

The future aggregate minimum lease payments under non-cancellable finance leases are as follows:

Remainder of 2020	\$ 6,601
2021	7,599
2022	5,790
2023	3,970
2024	1,944
Thereafter	125
Total future minimum lease payments	<u>\$ 26,029</u>
less: imputed interest	(1,522)
Total finance lease liability	<u>\$ 24,507</u>
less: finance lease liability - current	(7,905)
Total finance lease liability - non-current	<u>\$ 16,602</u>

At March 31, 2020 the weighted average remaining lease term for finance leases is 3.5 years and the weighted average discount rate is 3.8%.

Subleases

As at March 31, 2020, the total future minimum sublease payments expected to be received under non-cancellable subleases is \$451,000.

19. Commitments

Commitment for inventory purchase

The Company entered into a two-year non-rolling stock surplus contract with the U.S. Government Defense Logistics Agency (the "DLA") in December 2017 with the option to extend for up to four-years. Pursuant to the contract, the original performance period commenced in April 2018 and concluded in March 2020. The Company has exercised its option for one year, extending the performance period to March 2021.

The Company has committed to purchase between 150,000 and 245,900 units of property with an expected minimum value of \$11,104,000 and up to \$51,028,000 annually to the extent that goods are available from the DLA. At March 31, 2020, the Company has purchased \$40,878,000 pursuant to the 12-month period of this contract which commenced in April 2019.

Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

20. Contingencies

Legal and other claims

The Company is subject to legal and other claims that arise in the ordinary course of its business. Management does not believe that the results of these claims will have a material effect on the Company's consolidated balance sheet or consolidated income statement.

Guarantee contracts

In the normal course of business, the Company will in certain situations guarantee to a consignor a minimum level of proceeds in connection with the sale at auction of that consignor's equipment.

At March 31, 2020, there were \$110,703,000 of assets guaranteed under contract, of which 89% is expected to be sold prior to June 30, 2020 with the remainder to be sold by September 30, 2020 (December 31, 2019: \$63,612,000 of which 39% was expected to be sold prior to the end of March 31, 2020 with the remainder to be sold by June 30, 2020).

The outstanding guarantee amounts are undiscounted and before estimated proceeds from sale at auction.

21. Subsequent events

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. The Company has recorded income tax benefits of approximately \$6,000,000 in the twelve months ended December 31, 2019 and \$1,000,000 in the three months ended March 31, 2020 which will be denied by these final regulations. For the three and six months ended June 30, 2020, there will be an income tax adjustment for these denied benefits.

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 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.

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.

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.rbaction.com, on EDGAR at www.sec.gov, or on SEDAR at www.sedar.com.

Contract options

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

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

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

Value-added services

We also provide a wide array of value-added services to make the process of selling and buying equipment convenient for our customers, including repair and refurbishment services, financial services through Ritchie Bros. Financial Services ("RBFS"), logistical services, and appraisals.

Seasonality

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

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

Revenue Mix Fluctuations

Our revenue is comprised of service revenue and inventory sales revenue. Service revenue from A&M segment activities include commissions earned at our live auctions, online marketplaces, and private brokerage services, and various auction-related fees, including listing and buyer transaction fees. We also recognize revenues from our Other Services activities as service revenue. Inventory sales revenue is recognized as part of our A&M activities, and relates to revenues earned through our inventory contracts.

Inventory sales revenue can fluctuate significantly, as it changes based on whether our customers sell using a straight or guarantee commission contract, or an inventory contract at time of selling. Straight or guarantee commission contracts will result in the commission being recognized as service revenue, while inventory contracts will result in the gross transaction value of the equipment sold being recorded as inventory sales revenue with the related cost recognized in cost of inventory sold. As a result, a change in the revenue mix between service revenues and revenue from inventory sales can have a significant impact on revenue growth percentages.

Performance Overview

Net income attributable to stockholders increased 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,		
	2020	2019	% Change 2020 over 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 %	1,020 bps
Inventory sales revenue as a % of total revenue	33.0 %	43.2 %	(1,020)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 %	(1,050)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	<u>% Change</u> 2020 over 2019
Period-end exchange rate			
Canadian dollar	0.7097	0.7491	(5)%
Euro	1.1025	1.1218	(2)%
Australian dollar	0.6118	0.7096	(14)%
Average exchange rate -Three months ended March 31,			
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,		
	2020	2019	% Change 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 %	(1,090)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 %	(1,120)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 ⁽¹⁾ and other ⁽²⁾	237,023	203,082	17 %
Percentage of total	20.7 %	17.3 %	
GTV	\$ 1,147,025	\$ 1,174,681	(2)%
Percentage of total GTV purchased by online buyers			
Live on site auctions	69.0 %	55.0 %	1,400 bps
Online marketplaces including featured ⁽¹⁾ and other ⁽²⁾	100.0 %	100.0 %	0 bps
Total GTV	75.0 %	60.0 %	1,500 bps

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

(2) This includes GTV from Marketplace-E.

GTV 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 %	
GTV	\$ 1,147,025	\$ 1,174,681	(2)%

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
United States			
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 %
Canada			
Service revenue	18,560	19,768	(6)%
Inventory sales revenue	8,195	3,785	117 %
A&M revenue- Canada	26,755	23,553	14 %
International			
Service revenue	15,844	20,694	(23)%
Inventory sales revenue	24,989	59,328	(58)%
A&M revenue- International	40,833	80,022	(49)%
Total			
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 \$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	4.3 x	5.8 x	(26)%
Adjusted net debt*/adjusted EBITDA*	1.3 x	1.7 x	(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, 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 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.

PART II – OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

We have no material legal proceedings pending, other than ordinary routine litigation incidental to the business, and we do not know of any material proceedings contemplated by governmental authorities.

ITEM 1A: RISK FACTORS

Our business is subject to a number of risks and uncertainties, and our past performance is no guarantee of our performance in future periods. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risks and uncertainties discussed 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, before purchasing our common shares. Our business could also be affected by additional risks not currently known to us or that we currently deem to be immaterial. If any of the risks actually occur, our business, financial condition and results of operations could materially suffer. As a result, the trading price of our common shares could decline, and you may lose all or part of your investment.

Except as set out below, there were no material changes in risk factors during the three months ended March 31, 2020.

Our business operations, results of operations, cash flows and financial performance may be affected by the recent COVID-19 pandemic.

An outbreak of a novel strain of coronavirus (COVID-19) has occurred, including in all of the countries in which we operate. National, state, provincial and local governments have responded to the COVID-19 pandemic in a variety of ways, including, without limitation, by declaring states of emergency, restricting people from gathering in groups or interacting within a certain physical distance (i.e., social distancing), and in certain cases, ordering businesses to close or limit operations or people to stay at home.

The COVID-19 pandemic has caused certain disruptions to our business and operations and could cause further material disruptions to our business and operations in the future as a result of, among other things, quarantines, worker absenteeism as a result of illness or other factors, social distancing measures and other travel, health-related, business or other restrictions. For similar reasons, the COVID-19 pandemic has also adversely impacted, and may continue to adversely impact, the businesses and needs of our customers. Depending on the extent and duration of all of the above-described effects on our business and operations and the business and operations of our customers, our costs could increase, including our costs to address the health and safety of personnel, our ability to source assets to sell may be adversely impacted, our ability to transport and/or sell the assets that we source may be adversely impacted, our ability to service certain customers could be adversely impacted, and our ability to transfer ownership to the assets that we do sell could be adversely impacted. As a result of the foregoing, our business operations, results of operations, cash flows and financial performance could be materially adversely affected.

Although we have been permitted to continue to operate our auction sites in most of the jurisdictions in which we operate, including in jurisdictions that have mandated the closure of certain businesses, we have had to either forbid customer access altogether or limit the number of customers that are able to access our auction sites; in each case leading to online-only bidding for our live auctions. There is no assurance that we will be permitted to operate 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 close, certain auction sites and office locations in the future. Any limitations on, or closures of, our auction sites or our customers' sites could have a material adverse impact on our ability to carry out auctions or facilitate online sales, allow customers or our inspection teams to inspect assets or allow customers to retrieve purchased assets. Any such limitations or closures could have a material adverse impact on our business operations, results of operations, cash flows and financial performance.

Any sustained disruption in the capital markets from the COVID-19 pandemic could negatively impact our ability to raise capital. As of the end of our first fiscal quarter of 2020 we have a strong balance sheet and do not anticipate the need to raise capital. However, we cannot predict when the macro-economic disruption stemming from the COVID-19 pandemic will ebb or when the economy will return to pre-COVID-19 pandemic levels, if at all. If the macro-economic disruption continues for prolonged periods we may need to raise capital and capital may not be available on acceptable terms, or at all. The impact of the COVID-19 pandemic on economic activity, and its effect on our sales force and our customers are uncertain at this time and could have a material adverse effect on our results, especially to the extent these effects persist or exacerbate over an extended period of time. Additionally, any such impact could also result in financial and/or operational constraints for our service providers, buyers of the assets sold through our sales channel, as well as other counterparties, thereby increasing the risk that such counterparties default on their obligations to us.

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

Share repurchase program

For information regarding our purchases of common shares during the three months ended March 31, 2020 pursuant to our normal course issuer bid, refer to "Part I, Item 2: Management's Discussion and Analysis of Financial Conditions and Results of Operations-Liquidity and Capital Resources-Share Repurchase Program" of this Form 10-Q which is incorporated into this Item by reference.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5: OTHER INFORMATION

None.

ITEM 6: EXHIBITS

Exhibits

The exhibits listed in below are filed as part of this Quarterly Report on Form 10-Q and incorporated herein by reference.

Exhibit Number	Document
10.1	Employment Agreement between Ritchie Bros. Auctioneers (Canada) Ltd. and Carmen Thiede, dated February 26, 2020
10.2	Employment Agreement between Ritchie Bros. Auctioneers (Canada) Ltd. and Baron Concors, dated March 13, 2020
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T , for the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, formatted in Inline XBRL: (i) Condensed Consolidated Income Statements; (ii) Condensed Consolidated Balance Sheets; (iii) Condensed Consolidated Statements of Changes in Equity; (iv) Condensed Consolidated Statements of Cash Flows; and (v) Notes to the Condensed Consolidated Financial Statements
104	Cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, formatted in Inline XBRL and contained in Exhibit 101

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Dated: May 7, 2020

By: /s/ Ann Fandozzi
Ann Fandozzi
Chief Executive Officer

Dated: May 7, 2020

By: /s/ Sharon R. Driscoll
Sharon R. Driscoll
Chief Financial Officer

EMPLOYMENT AGREEMENT

Between:

CARMEN THIEDE

(the “Executive”)

And:

RITCHIE BROS. AUCTIONEERS (CANADA) LTD.,
a corporation incorporated under the laws of the Canada

(the “Employer”)

WHEREAS:

- A. The Employer is in the business of asset management and disposition of industrial equipment; and
- B. The Employer and the Executive wish to enter into an employment relationship on the terms and conditions as described in this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged by both parties, the Employer and the Executive agree as follows:

1. EMPLOYMENT

- a. The Employer agrees to employ the Executive pursuant to the terms and conditions described in this Agreement, including the appendices to this Agreement, and the Executive hereby accepts and agrees to such employment. Unless otherwise defined, the defined terms in this Agreement will have the same meaning in the appendices hereto.
- b. The Executive’s employment under this Agreement is conditional on the Executive obtaining authorization and documentation to legally work in Canada (“**Work Authorization**”). It is a condition of the Executive’s continued employment that the Executive maintain the necessary Work Authorization to work in Canada throughout the duration of the Executive’s employment. The parties agree to work together on a best efforts basis to obtain from the appropriate Canadian governmental authorities, and maintain, such Work Authorization. If the Executive is unable to obtain the Work Authorization, or if the Executive is subsequently unable to renew the Work Authorization, the Employer will offer the Executive employment in the United States on substantially the same terms herein, on the condition that the Executive’s employment under the US employment agreement will be for a fixed term of 15 months and the Executive will cooperate with the Employer to obtain the Work Authorization to resume work in Canada prior to the end of the fixed term. The Executive agrees that prior to the expiry of the term of the US employment agreement, she will accept continued

employment in Canada on the terms of this Agreement, which will supersede the US employment agreement.

- c. The Executive will be employed in the position of **Chief Human Resources Officer** and such other duties and responsibilities consistent with her position as may be assigned by the Employer from time to time.
- d. The Executive's employment with the Employer will commence on **April 13, 2020** (the "**Commencement Date**"), and the Executive's employment hereunder will continue for an indefinite period of time until terminated in accordance with the terms of this Agreement or applicable law (the "**Term**").
- e. During the Term, the Executive will at all times:
 - i. well and faithfully serve the Employer, and act honestly and in good faith in the best interests of the Employer;
 - ii. devote all of the Executive's business time, attention and abilities, and provide her best efforts, expertise, skills and talents, to the business of the Employer, except as provided in Section 2(b);
 - iii. adhere to all generally applicable written policies of the Employer, and obey and observe to the best of the Executive's abilities all lawful orders and directives, whether verbal or written, of the Board;
 - iv. act lawfully and professionally, and exercise the degree of care, diligence and skill that an executive employee would exercise in comparable circumstances; and
 - v. to the best of the Executive's abilities perform the duties and exercise the responsibilities required of the Executive under this Agreement.

2. PRIOR COMMITMENTS AND OUTSIDE ACTIVITIES

- a. The Executive represents and warrants to the Employer that the Executive has no existing common law, contractual or statutory obligations to her former employer or to any other person that will conflict with the Executive's duties and responsibilities under this Agreement.
- b. During the term of this Agreement, the Executive will not be engaged directly or indirectly in any outside business activities, whether for profit or not-for-profit, as principal, partner, director, officer, active shareholder, advisor, employee or otherwise, without first having obtained the written permission of the Employer.

3. POLICIES

- a. The Executive agrees to comply with all generally applicable written policies applying to the Employer's staff that may reasonably be issued by the Employer from time to time. The Executive agrees that the introduction, amendment and administration of such generally applicable written policies are within the sole discretion of the Employer. If the Employer introduces, amends or deletes such generally applicable written policies, such introduction, deletion or amendment will not constitute a constructive dismissal or breach of this Agreement. If there is a direct conflict between this Agreement and any such policy, this Agreement will prevail to the extent of the inconsistency.

4. COMPENSATION

- a. Upon the Commencement Date, and continuing during the Term, the Executive will earn the following annual compensation, less applicable statutory and regular payroll deductions and withholdings:

Compensation Element	\$US
Annual Base Salary	\$420,000 (the “ Base Salary ”)
Annual Short-Term Incentive	65% of Base Salary at Target (the “ STI Bonus ”) (0% - 200% of Base Salary based on actual performance)
Annual Long-Term Incentive Grant	Targeted at 100% of Base Salary (the “ LTI Grant ”) Those eligible to participate in the Employer’s long-term incentive plan (LTI Plan) may be entitled to receive an equity award subject to the terms set forth in the relevant shareholder-approved equity plan. Grants under the LTI Plan are made at the complete discretion and subject to the approval of the Compensation Committee and are based on the recommendation of the senior management or the CEO of the Company.

- b. The structure of the STI Bonus and LTI Grant will be consistent with those granted to the Employer’s other executives, and is subject to amendment from time to time by the Employer. Currently, LTI grants for executives are provided as follows:
- i. 50% in stock options, with a ten-year term, vesting in equal one-third parts after the first, second and third anniversaries of the grant date;
 - ii. 50% in performance share units, vesting on the third anniversary of the grant date based on meeting pre-established performance criteria, with the number of share units that ultimately vest ranging from 0% to 200% of target based on actual performance.
- c. The specific terms and conditions for the LTI Grant (including but not limited to the provisions upon termination of employment) will be based on the relevant plan documents.
- d. The Executive’s STI Bonus for 2020 will be pro-rated to the Executive’s actual term of service in 2020.

- e. The Executive will be eligible for a full year (not pro-rated) LTI grant in respect of 2020 as described in section 4 b; the equity grant is contingent on Compensation Committee approval. The specific terms and conditions for LTI Grants (including but not limited to the provisions upon termination of employment) will be based on the relevant plan documents and may be subject to amendments from time to time by RBA Pubco.
- f. The executive will be eligible for a sign-on grant (“SOG”) having an economic value of USD\$780,000 and payable in the form of performance share units (“PSUs”) granted pursuant to RBA Pubco’s Performance Share Unit Plan (the “PSU Plan”), with the actual number of PSUs being calculated by reference to the volume weighted average trading price of the common shares of RBA Pubco as set forth in the PSU Plan. The PSUs will cliff vest in March 2023, on the same date as PSUs granted to other Executives as part of the normal 2020 grant cycle.
- g. Notwithstanding any other provisions in this Agreement to the contrary, the Executive will be subject to any written clawback/recoupment policy of the Employer in effect from time-to-time, allowing the recovery of incentive compensation previously paid or payable to the Executive in cases of proven misconduct or material financial restatement, whether pursuant to the requirements of Dodd-Frank Wall Street Reform and the *Consumer Protection Act*, the listing requirements of any national securities exchange on which common stock of the Employer is listed, or otherwise.

5. BENEFITS

- a. The Executive will be eligible to participate in the Employer’s US group benefit plans, subject to the terms and conditions of said plans and the applicable policies of the Employer and applicable benefits providers. Subject to the Executive’s eligibility, such benefits will include, without limitation, United States medical coverage satisfying the minimum essential coverage requirements under the United States *Patient Protection and Affordable Care Act*, short-term and long-term disability coverage, and term life insurance.
- b. The liability of the Employer with respect to the Executive’s employment benefits is limited to the premiums or portions of the premiums the Employer regularly pays on behalf of the Executive in connection with said employee benefits. The Executive agrees that the Employer is not, and will not be deemed to be, the insurer and, for greater certainty, the Employer will not be liable for any decision of a third-party benefits provider or insurer, including any decision to deny coverage or any other decision that affects the Executive’s benefits or insurance.
- c. The Employer will reimburse the Executive for up to \$15,000 in 2020, and up to \$5,000 per annum thereafter, for expenses related to professional advice concerning the completion of the Employment Agreement, and tax planning and compliance. Reimbursement for such professional advice will be reported as a taxable benefit.
- d. The Executive will be eligible to contribute to the Employer’s US-based 401(k) savings plan pursuant to the terms of that plan.
- e. The Executive will be eligible to participate in the Employer’s Employee Share Purchase Plan, in accordance with the terms of that plan.

6. EXPENSES

- a. The Employer will reimburse the Executive, in accordance with the Employer's policies, for all authorized travel and other out-of-pocket expenses actually and properly incurred by the Executive in the course of carrying out the Executive's duties and responsibilities under this Agreement.

7. HOURS OF WORK AND OVERTIME

- a. Given the management nature of the Executive's position, the Executive is required to work additional hours from time to time, and is not eligible for overtime pay. The Executive acknowledges and agrees that the compensation provided under this Agreement represents full compensation for all of the Executive's working hours and services, including overtime.

8. PAID TIME OFF (PTO)

- a. The Executive will earn up to five (5) weeks (or twenty-five (25) business days) of paid time off (PTO) per annum, pro-rated for any partial year of employment.
- b. The Executive will take her PTO subject to business needs, and in accordance with the Employer's PTO policy in effect from time to time.
- c. Annual PTO must be taken and may not be accrued, deferred or banked without the Employer's written approval.

9. TERMINATION OF EMPLOYMENT

- a. Termination for cause: The Employer may terminate the Executive's employment at any time for Cause, after providing Executive with at least 30 days' notice of such proposed termination and 15 days to remedy the alleged defect. In this Agreement, "Cause" means the willful and continued failure by the Executive to substantially perform, or otherwise properly carry out, the Executive's duties on behalf of RBA Pubco or an affiliate, or to follow, in any material respect, the lawful policies, procedures, instructions or directions of the Employer or any applicable affiliate (other than any such failure resulting from the Executive's disability or incapacity due to physical or mental illness), or the Executive willfully or intentionally engaging in illegal or fraudulent conduct, financial impropriety, intentional dishonesty, breach of duty of loyalty or any similar intentional act which is materially injurious RBA Pubco or an affiliate, or which may have the effect of materially injuring the reputation, business or business relationships of the Employer or an affiliate, or any other act or omission constituting cause for termination of employment without notice or pay in lieu of notice at common law. For the purposes of this definition, no act, or failure to act, on the part of an Executive shall be considered "willful" unless done, or omitted to be done, by the Executive in bad faith and without reasonable belief that the Executive's action or omissions were in, or not opposed to, the best interests of the Employer and its affiliates.

In the event of termination for Cause, the rights of the Executive with respect to any performance share units ("PSUs") or stock options granted pursuant to the Employer's Performance Share Unit Plan (the "PSU Plan") and stock option plan (the "Option Plan"), respectively, and pursuant to any and all PSU and stock option grant agreements, will be governed pursuant to the terms of the PSU Plan, Option Plan and respective grant agreements for such PSUs and stock options.

- b. Termination for Good Reason: The Executive may terminate her employment with the Employer for Good Reason by delivery of written notice to the Employer within the sixty (60) day period commencing upon the occurrence of Good Reason including the basis for such Good Reason (with such termination effective thirty (30) days after such written notice is delivered to the Employer and only in the event that the Employer fails or is unable to cure such Good Reason within such thirty (30) day period). In the event of a termination of the Executive's employment for Good Reason, the Executive will receive pay and benefits as if terminated by the Employer without Cause under Section 10 c., below, and the termination shall be regarded as a termination without Cause for purposes of the Option Plan and the PSU Plan. In this Agreement, "**Good Reason**" means a material adverse change by RBA Pubco or an affiliate, without the Executive's consent, to the Executive's position, authority, duties, responsibilities, Executive's place of residence, Base Salary or the potential short-term or long-term incentive bonus the Executive is eligible to earn, but does not include (1) a change in the Executive's duties and/or responsibilities arising from a change in the scope or nature of RBA Pubco's business operations, provided such change does not adversely affect the Executive's position or authority or (2) a change across the board affecting similar executives in a similar fashion, or (3) the inability or failure, for whatever reason, of the Executive to be able to work as needed periodically in British Columbia.
- c. Termination without Cause: The Employer may terminate the Executive's employment at any time, without Cause by providing the Executive with the following:
- i. Eighteen (18) months' Base Salary and STI Bonus at Target;
 - ii. all equity awards will be governed by the terms of the relevant plan;
 - iii. an STI Bonus for the year of termination of employment, pro-rated based on the number of days in the year prior to the Termination Date (as defined below); and
 - iv. continued extended health and dental benefits coverage at active employee rates until the earlier of the first anniversary of the termination of the Executive's employment or the date on which the Executive begins new full-time employment.
- d. Resignation: The Executive may terminate her employment with the Employer at any time by providing the Employer with three (3) months' notice in writing to that effect. If the Executive provides the Employer with written notice under this Section, the Employer may waive such notice, in whole or in part, in which case the Employer will pay the Executive the Base Salary only for the amount of time remaining in that notice period and the Executive's employment will terminate on the earlier date specified by the Employer without any further compensation.

In the event of resignation, the rights of the Executive with respect to any PSUs or stock options granted pursuant to the PSU Plan and Option Plan, respectively, and pursuant to any and all PSU and stock option grant agreements, will be governed pursuant to the terms of the PSU Plan, Option Plan and respective grant agreements for such PSUs and stock options.

- e. Retirement: In the event of the Executive's retirement, as defined by the Employer's policies, the rights of the Executive with respect to any PSUs or stock options granted pursuant to the PSU Plan and Option Plan, respectively, and pursuant to any and all PSU and stock option grant agreements, will be governed pursuant to the terms of the PSU Plan, Option Plan and respective grant agreements for such PSUs and stock options.

- f. Termination Without Cause or For Good Reason Following Change of Control: In the event of Termination without Cause or for Good Reason within one (1) year of a change of control of RBA Pubco or the Employer, the Executive will have the rights set forth in the Change of Control Agreement attached as **Appendix “B”** hereto.
- g. Deductions and withholdings: All payments under this Section are subject to applicable statutory and regular payroll deductions and withholdings in the US as applicable.
- h. Terms of Payment upon Termination: Upon termination of the Executive’s employment, for any reason:
- i. Subject to Section 9 b. and except as limited by Section 9 h. (ii), the Employer will pay the Executive all earned and unpaid Base Salary, earned and unpaid vacation pay, and a prorated STI Bonus, up to and including the Executive’s last day of active employment with the Employer (the “**Termination Date**”), with such payment to be made within five (5) business days of the Termination Date.
 - ii. In the event of resignation by the Executive or termination of the Executive’s employment for Cause, no STI Bonus will be payable to the Executive; and
 - iii. On the Termination Date, the Executive will immediately deliver to the Employer all files, computer disks, Confidential Information, information and documents pertaining to the Employer’s Business, and all other property of the Employer that is in the Executive’s possession or control, without making or retaining any copy, duplication or reproduction of such files, computer disks, Confidential Information, information or documents without the Employer’s express written consent.
- i. Other than as expressly provided herein, the Executive will not be entitled to receive any further pay or compensation, severance pay, notice, payment in lieu of notice, incentives, bonuses, benefits, rights and damages of any kind. The Executive acknowledges and agrees that, in the event of a payment under Section 9b. or Section 9 c. of this Agreement, the Executive will not be entitled to any other payment in connection with the termination of the Executive’s employment.
- j. Notwithstanding the foregoing, in the event of a termination without Cause, the Employer will not be required to pay any Base Salary or STI Bonus to the Executive beyond that earned by the Executive up to and including the Termination Date, unless the Executive signs within sixty (60) days of the Termination Date and does not revoke a full and general release (the “Release”) of any and all claims that the Executive has against the Employer or its affiliates and such entities’ past and then current officers, directors, owners, managers, members, agents and employees relating to all matters, in form and substance satisfactory to the Employer, provided, however, that the payment shall not occur prior to the effective date of the Release, provided further that if the maximum period during which Executive can consider and revoke the release begins in one calendar year and ends in another calendar year, then such payment shall not be made until the first payroll date occurring after the later of (A) the last day of the calendar year in which such period begins, and (B) the date on which the Release becomes effective.
- k. Notwithstanding any changes in the terms and conditions of the Executive’s employment which may occur in the future, including any changes in position, duties or compensation, the termination provisions in this Agreement will continue to be in effect for the duration of the

Executive employment with the Employer unless otherwise amended in writing and signed by the Employer.

1. Agreement authorizing payroll deductions: If, on the date the employment relationship ends, regardless of the reason, the Executive owes the Employer any money (whether pursuant to an advance, overpayment, debt, error in payment, or any other reason), the Executive hereby authorizes the Employer to deduct any such debt amount from the Executive's salary, severance or any other payment due to the Executive. Any remaining debt will be immediately payable to the Employer and the Executive agrees to satisfy such debt within 14 days of the Termination Date or any demand for repayment.

10. SHARE OWNERSHIP REQUIREMENTS

- a. The Executive will be subject to the Employer's share ownership guideline policy, as amended from time to time.

11. CONFIDENTIAL INFORMATION

- a. In this Agreement "Confidential Information" means information proprietary to the Employer that is not publically known or available, including but not limited to personnel information, customer information, supplier information, contractor information, pricing information, financial information, marketing information, business opportunities, technology, research and development, manufacturing and information relating to intellectual property, owned, licensed, or used by the Employer or in which the Employer otherwise has an interest, and includes Confidential Information created by the Executive in the course of her employment, jointly or alone. The Executive acknowledges that the Confidential Information is the exclusive property of the Employer.
- b. The Executive agrees at all times during the Term and after the Term, to hold the Confidential Information in strictest confidence and not to disclose it to any person or entity without written authorization from the Employer and the Executive agrees not to copy or remove it from the Employer's premises except in pursuit of the Employer's business, or to use or attempt to use it for any purpose other than the performance of the Executive's duties on behalf of the Employer.
- c. The Executive agrees, at all times during and after the Term, not use or take advantage of the Confidential Information for creating, maintaining or marketing, or aiding in the creation, maintenance, marketing or selling, of any products and/or services which are competitive with the products and services of the Employer.
- d. Upon the request of the Employer, and in any event upon the termination of the Executive's employment with the Employer, the Executive will immediately return to the Employer all materials, including all copies in whatever form containing the Confidential Information which are within the Executive's possession or control.

12. INVENTIONS

- a. In this Agreement, "Invention" means any invention, improvement, method, process, advertisement, concept, system, apparatus, design or computer program or software, system or database.

- b. The Executive acknowledges and agrees that every Invention which the Executive may, at any time during the terms of her employment with the Employer or its affiliates, make, devise or conceive, individually or jointly with others, whether during the Employer's business hours or otherwise, and which relates in any manner to the Employer's business will belong to, and be the exclusive property of the Employer, and the Executive will make full and prompt disclosure to the Employer of every such Invention. The Executive hereby irrevocably waives all moral rights that the Executive may have in every such Invention.
- c. The Executive undertakes to, and hereby does, assign to the Employer, or its nominee, every such Invention and to execute all assignments or other instruments and to do any other things necessary and proper to confirm the Employer's right and title in and to every such Invention. The Executive further undertakes to perform all proper acts within her power necessary or desired by the Employer to obtain letters patent in the name of the Employer and at the Employer's expense for every such Invention in whatever countries the Employer may desire, without payment by the Employer to the Executive of any royalty, license fee, price or additional compensation.
- d. The Executive acknowledges that all original works of authorship which are made by the Executive (solely or jointly with others) within the scope of the Executive's employment and which are protectable by copyright are "works made for hire," pursuant to United States Copyright Act (17 U.S.C., Section 101).

13. NON-SOLICITATION

- a. The Executive acknowledges that in the course of the Executive's employment with the Employer the Executive will develop close relationships with the Employer's clients, customers and employees, and that the Employer's goodwill depends on the development and maintenance of such relationships. The Executive acknowledges that the preservation of the Employer's goodwill and the protection of its relationships with its customers and employees are proprietary rights that the Employer is entitled to protect.
- b. The Executive will not during the Applicable Period, whether individually or in partnership or jointly or in conjunction with any person or persons, as principal, agent, shareholder, director, officer, employee or in any other manner whatsoever:
 - i. solicit any client or customer of the Employer with whom the Executive dealt during the twelve (12) months immediately prior to the termination of the Executive's employment with the Employer (however caused) for the purposes of (a) causing or trying to cause such client or customer to cease doing business with the Employer or to reduce such business with the Employer by diverting it elsewhere or (b) providing products or services that are the same as or competitive with the business of the Employer in the area of facilitating the exchange of industrial equipment, provided, for greater clarity, that such limitation shall not restrict the Executive from the general exchange of industrial equipment as part of the normal business operations of a future employer where such employer is not engaged in the exchange of industrial equipment by way of auctions or online equipment exchange platforms similar to those operated by the Employer; or
 - ii. seek in any way to solicit, engage, persuade or entice, or attempt to solicit, engage, persuade or entice any employee of the Employer, to leave his or her employment with the Employer,

The “**Applicable Period**” means a period of twelve (12) months following termination, regardless of the reason for such termination or the party effecting it.

14. NON-COMPETITION

- a. The Executive agrees that, without the prior written consent of the Employer, the Executive will not, directly or indirectly, in a capacity similar to that of the Executive with the Employer, carry on, be engaged in, be concerned with or interested in, perform services for, or be employed in a business which is the same as or competitive with the business of the Employer in the area of asset management or facilitating the exchange of industrial equipment, or in the area of the buying, selling or auctioning of industrial equipment, either individually or in partnership or jointly or in conjunction with any person as principal, agent, employee, officer or shareholder. The foregoing restriction will be in effect for a period of twelve (12) months following the termination of the Executive’s employment, regardless of the reason for such termination or the party effecting it, within the geographical area of Canada and the United States.

15. REMEDIES FOR BREACH OF RESTRICTIVE COVENANTS

- a. The Executive acknowledges that the restrictions contained in Sections 9 h. iii., 11, 12, 13, and 14 of this Agreement are, in view of the nature of the Employer’s business, reasonable and necessary in order to protect the legitimate interests of the Employer and that any violation of those Sections would result in irreparable injuries and harm to the Employer, and that damages alone would be an inadequate remedy.
- b. The Executive hereby agrees that the Employer will be entitled to the remedies of injunction, specific performance and other equitable relief to prevent a breach or recurrence of a breach of this Agreement and that the Employer will be entitled to its reasonable legal costs and expenses, including but not limited to its attorneys’ fees, incurred in properly enforcing a provision of this Agreement.
- c. Nothing contained herein will be construed as a waiver of any of the rights that the Employer may have for damages or otherwise.
- d. The Executive and the Employer expressly agree that the provisions of Sections 9 h. iii., 11, 12, 13, 14, and 21 of this Agreement will survive the termination of the Executive’s employment for any reason.

16. GOVERNING LAW

- a. This Agreement will be governed by the laws of the Province of British Columbia.

17. SEVERABILITY

- a. All sections, paragraphs and covenants contained in this Agreement are severable, and in the event that any of them will be held to be invalid, unenforceable or void by a court of a competent jurisdiction, such sections, paragraphs or covenants will be severed and the remainder of this Agreement will remain in full force and effect.

18. ENTIRE AGREEMENT

- a. This Agreement, including the Appendices, and any other documents referenced herein, contains the complete agreement concerning the Executive’s employment by the Employer

and will, as of the date it is executed, supersede any and all other employment agreements between the parties.

- b. The parties agree that there are no other contracts or agreements between them, and that neither of them has made any representations, including but not limited to negligent misrepresentations, to the other except such representations as are specifically set forth in this Agreement, and that any statements or representations that may previously have been made by either of them to the other have not been relied on in connection with the execution of this Agreement and are of no effect.
- c. No waiver, amendment or modification of this Agreement or any covenant, condition or restriction herein contained will be valid unless executed in writing by the party to be charged therewith, with the exception of those modifications expressly permitted within this Agreement. Should the parties agree to waive, amend or modify any provision of this Agreement, such waiver, amendment or modification will not affect the enforceability of any other provision of this Agreement. Notwithstanding the foregoing, the Employer may unilaterally amend the provisions of Section 10 c. relating to provision of certain health benefits following termination of employment to the extent the Employer deems necessary to avoid the imposition of excise taxes, penalties or similar charges on the Employer or any of its Affiliates, including, without limitation, under Section 4980D of the U.S. Internal Revenue Code.

19. CONSIDERATION

- a. The parties acknowledge and agree that this Agreement has been executed by each of them in consideration of the mutual premises and covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged. The parties hereby waive any and all defenses relating to an alleged failure or lack of consideration in connection with this Agreement.

20. INTERPRETATION

- a. Headings are included in this Agreement for convenience of reference only and do not form part of this Agreement.

21. DISPUTE RESOLUTION

In the event of a dispute arising out of or in connection with this Agreement, or in respect of any legal relationship associated with it or from it, which does not involve the Employer seeking a court injunction or other injunctive or equitable relief to protect its business, confidential information or intellectual property, that dispute will be resolved in strict confidence as follows:

- a. Amicable Negotiation – The parties agree that, both during and after the performance of their responsibilities under this Agreement, each of them will make *bona fide* efforts to resolve any disputes arising between them via amicable negotiations;
- b. Arbitration – If the parties have been unable to resolve a dispute for more than 90 days, or such other period agreed to in writing by the parties, either party may refer the dispute for final and binding arbitration by providing written notice to the other party. If the parties cannot agree on an arbitrator within thirty (30) days of receipt of the notice to arbitrate, then either party may make application to the British Columbia Arbitration and Mediation Society to appoint one. The arbitration will be held in Vancouver, British Columbia, in accordance

with the BCICAC's Shorter Rules for Domestic Commercial Arbitration, and each party will bear its own costs, including one-half share of the arbitrator's fees.

22. ENUREMENT

- a. The provisions of this Agreement will enure to the benefit of and be binding upon the parties, their heirs, executors, personal legal representatives and permitted assigns, and related companies.
- b. This Agreement may be assigned by the Employer in its discretion, in which case the assignee shall become the Employer for purposes of this Agreement. This Agreement will not be assigned by the Executive.

Dated this 26th day of February 2020

Signed, Sealed and Delivered by)	
Carmen Thiede in the)	
presence of:)	
)	
<u>William A. Thiede</u>)	<u>/s/ Carmen Thiede</u>
Name)	CARMEN THIEDE
)	
<u>10620 Maple Blvd</u>)	
Address)	
)	
<u>Woodbury, MN 55129</u>)	
)	
<u>Retired Cartographer</u>)	
Occupation)	

RITCHIE BROS. AUCTIONEERS (CANADA) LTD.

Per: /s/ Todd Wohler
Authorized Signatory

APPENDIX “B”

CHANGE OF CONTROL AGREEMENT

THIS AGREEMENT executed on the 26th day of February, 2020.

BETWEEN:

RITCHIE BROS. AUCTIONEERS (CANADA) LTD.,
a corporation incorporated under the laws of Canada, and having an office at 9500
Glenlyon Parkway, Burnaby, British Columbia, V5J 0C6

(the “**Company**”)

AND:

CARMEN THIEDE

(the “**Executive**”)

WITNESSES THAT WHEREAS:

A. The Executive is an executive of the Company and the Parent Company (as defined below) and is considered by the Board of Directors of the Parent Company (the “Board”) to be a vital employee with special skills and abilities, and will be well-versed in knowledge of the Company’s business and the industry in which it is engaged;

B. The Board recognizes that it is essential and in the best interests of the Company and its shareholders that the Company retain and encourage the Executive’s continuing service and dedication to her office and employment without distraction caused by the uncertainties, risks and potentially disturbing circumstances that could arise from a possible change in control of the Parent Company;

C. The Board further believes that it is in the best interests of the Company and its shareholders, in the event of a change of control of the Parent Company, to maintain the cohesiveness of the Company’s senior management team so as to ensure a successful transition, maximize shareholder value and maintain the performance of the Company;

D. The Board further believes that the service of the Executive to the Company requires that the Executive receive fair treatment in the event of a change in control of the Parent Company; and

E. In order to induce the Executive to remain in the employ of the Company notwithstanding a possible change of control, the Company has agreed to provide to the Executive certain benefits in the event of a change of control.

NOW THEREFORE in consideration of the premises and the covenants herein contained on the part of the parties hereto and in consideration of the Executive continuing in office and in the employment of the Company, the Company and the Executive hereby covenant and agree as follows:

1. Definitions

In this Agreement,

- (a) “Agreement” means this agreement as amended or supplemented in writing from time to time;
- (b) “Annual Base Salary” means the annual salary payable to the Executive by the Company from time to time, but excludes any bonuses and any director’s fees paid to the Executive by the Company;
- (c) “STI Bonus” means the annual at target short-term incentive bonus the Executive is eligible to earn under the Employment Agreement, in accordance with the short-term incentive bonus plan;
- (d) “Change of Control” means:
 - (i) a Person, or group of Persons acting jointly or in concert, acquiring or accumulating beneficial ownership of more than 50% of the Voting Shares of the Parent Company;
 - (ii) a Person, or Group of Persons acting jointly or in concert, holding at least 25% of the Voting Shares of the Parent Company and being able to change the composition of the Board of Directors by having the Person’s, or Group of Persons’, nominees elected as a majority of the Board of Directors of the Parent Company;
 - (iii) the arm’s length sale, transfer, liquidation or other disposition of all or substantially all of the assets of the Parent Company, over a period of one year or less, in any manner whatsoever and whether in one transaction or in a series of transactions or by plan of arrangement; or
 - (iv) a reorganization, merger or consolidation or sale or other disposition of substantially all the assets of the Company (a “Business Combination”), unless following such Business Combination the Parent Company beneficially owns all or substantially all of the Company’s assets either directly or through one or more subsidiaries.
- (e) “Date of Termination” means the date when the Executive ceases to actively provide services to the Company, or the date when the Company instructs her to stop reporting to work;
- (f) “Employment Agreement” means the employment agreement between the Company and the Executive dated February 26, 2020;
- (g) “Good Reason” means either:
 - (i) Good Reason as defined in the Employment Agreement; or
 - (ii) the failure of the Company to obtain from a successor to all or substantially all of the business or assets of the Parent Company, the successor’s agreement to continue to employ the Executive on substantially similar terms and conditions as contained in the Employment Agreement;
- (h) “Cause” has the meaning defined in the Employment Agreement.
- (i) “Parent Company” means Ritchie Bros. Auctioneers Incorporated.

- (j) “Person” includes an individual, partnership, association, body corporate, trustee, executor, administrator, legal representative and any national, provincial, state or municipal government; and
- (k) “Voting Shares” means any securities of the Parent Company ordinarily carrying the right to vote at elections for directors of the Board, provided that if any such security at any time carries the right to cast more than one vote for the election of directors, such security will, when and so long as it carries such right, be considered for the purposes of this Agreement to constitute and be such number of securities of the Parent Company as is equal to the number of votes for the election of directors that may be cast by its holder.

2. Scope of Agreement

- (a) The parties intend that this Agreement set out certain of their respective rights and obligations in certain circumstances upon or after Change of Control as set out in this Agreement.
- (b) This Agreement does not purport to provide for any other terms of the Executive’s employment with the Company or to contain the parties’ respective rights and obligations on the termination of the Executive’s employment with the Company in circumstances other than those upon or after Change of Control as set out in this Agreement.
- (c) Where there is any conflict between this Agreement and (i) the Employment Agreement, or (ii) a Company plan or policy relating to compensation or executive programs, the terms of this Agreement will prevail.

3. Compensation Upon or After Change of Control

- (a) If the Executive’s employment with the Company is terminated (i) by the Company without Cause upon a Change of Control or within two years following a Change of Control; or (ii) by the Executive for Good Reason upon a Change of Control or within one (1) year following a Change of Control:
 - (i) the Company will pay to the Executive a lump sum cash amount equal to the aggregate of:
 - A. one and one-half (1.5) times Base Salary;
 - B. one and one-half (1.5) times at-target STI Bonus;
 - C. one and one-half (1.5) times the annual premium cost that would be incurred by the Company to continue to provide to the Executive all health, dental and life insurance benefits provided to the Executive immediately before the Date of Termination;
 - D. the earned and unpaid Base Salary and vacation pay to the Date of Termination; and
 - E. an amount calculated by dividing by 365 the Executive’s target bonus under the STI Bonus for the fiscal year in which the Date of Termination occurs, and multiplying that number by the number of days completed in the fiscal year as of the Date of Termination.

- (ii) the Executive will continue to have all rights under the Amended and Restated Stock Option Plan of the Company (the “Option Plan”), and under option agreements entered into in accordance with the Option Plan, with respect to options granted on or before the Date of Termination, as if the Executive’s employment had been terminated by the Company without cause; and
 - (iii) the Executive will continue to have all rights held by the Executive pursuant to the Company’s Performance Share Unit Plan (the “PSU Plan”), and under any and all grant agreements representing performance share units, granted on or before the Change of Control.
- (b) All amounts payable pursuant to this section 3 are subject to required statutory deductions and withholdings.
- (c) No such payment pursuant to this Section 3 shall be made unless the Executive signs within sixty (60) days of the Termination Date and does not revoke a full and general release (the “Release”) of any and all claims that the Executive has against the Company or its affiliates and such entities’ past and then current officers, directors, owners, managers, members, agents and employees relating to all matters, in form and substance satisfactory to the Company, provided, however, that the payment shall not occur prior to the effective date of the Release, provided further that if the maximum period during which Executive can consider and revoke the release begins in one calendar year and ends in another calendar year, then such payment shall not be made until the first payroll date occurring after the later of (A) the last day of the calendar year in which such period begins, and (B) the date on which the Release becomes effective.

4. Binding on Successors

- (a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, by agreement in favour of the Executive and in form and substance satisfactory to the Executive, to expressly assume and agree to perform all the obligations of the Company under this Agreement that would be required to be observed or performed by the Company pursuant to section 3. As used in this Agreement, “Company” means the Company and any successor to its business or assets as aforesaid which executes and delivers the agreement provided for in this section or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.
- (b) This Agreement will enure to the benefit of and be enforceable by the Executive’s successors and legal representatives but otherwise it is not assignable by the Executive.

5. No Obligation to Mitigate; No Other Agreement

- (a) The Executive is not required to mitigate the amount of any payment or benefit provided for in this Agreement, or any damages resulting from a failure of the Company to make any such payment or to provide any such benefit, by seeking other employment, taking early retirement, or otherwise, nor, except as expressly provided in this Agreement, will the amount of any payment provided for in this Agreement be reduced by any compensation earned by the Executive as a result of taking early retirement, employment by another employer after termination or otherwise.

- (b) The Executive represents and warrants to the Company that the Executive has no agreement or understanding with the Company in respect of the subject matters of this Agreement, except as set out in this Agreement.

6. Exhaustive Compensation

The Executive agrees with and acknowledges to the Company that the compensation provided for under section 3 of this Agreement is all the compensation payable by the Company to the Executive in relation to a Change of Control, or her termination from employment upon or subsequent to a Change of Control, under the circumstances provided for in this Agreement. The Executive further agrees and acknowledges that in the event of payment under section 3 of this Agreement, he will not be entitled to any termination payment under the Employment Agreement.

7. Amendment and Waiver

No amendment or waiver of this Agreement will be binding unless executed in writing by the parties to be bound by this Agreement.

8. Choice of Law

This Agreement will be governed and interpreted in accordance with the laws of the Province of British Columbia, which will be the proper law hereof. All disputes and claims will be referred to the Courts of the Province of British Columbia, which will have jurisdiction, but not exclusive jurisdiction, and each party hereby submits to the non-exclusive jurisdiction of such courts.

9. Severability

If any section, subsection or other part of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, such invalid or unenforceable section, subsection or part will be severable and severed from this Agreement, and the remainder of this Agreement will not be affected thereby but remain in full force and effect.

10. Notices

Any notice or other communication required or permitted to be given hereunder must be in writing and given by facsimile or other means of electronic communication, or by hand-delivery, as hereinafter provided. Any such notice or other communication, if sent by facsimile or other means of electronic communication or by hand delivery, will be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to an individual at such address having apparent authority to accept deliveries on behalf of the addressee. Notice of change of address will also be governed by this section. Notices and other communications will be addressed as follows:

- (a) if to the Executive, to such address as the Executive has provided in writing.
- (b) if to the Company:

9500 Glenlyon Parkway
 Burnaby, British Columbia V5J 0C6
 Attention: Corporate Secretary
 Facsimile: (778) 331-5501

11. Copy of Agreement

The Executive hereby acknowledges receipt of a copy of this Agreement executed by the Company.

**RITCHIE BROS. AUCTIONEERS
 (CANADA) LTD.**

By: /s/ Todd Wohler

Name: Todd Wohler

Signed, Sealed and Delivered by)
Carmen Thiede in the)
 presence of:)
)
William A. Thiede)
 Name)
)
10620 Maple Blvd)
 Address)
)
Woodbury, MN 55129)
)
)
Retired Cartographer)
 Occupation)

/s/ Carmen Thiede
CARMEN THIEDE

EMPLOYMENT AGREEMENT

Between:

BARON CONCORDS

(the “Executive”)

And:

RITCHIE BROS. AUCTIONEERS (CANADA) LTD.,
a corporation incorporated under the laws of the Canada

(the “Employer”)

WHEREAS:

- A. The Employer is in the business of asset management and disposition of industrial equipment; and
- B. The Employer and the Executive wish to enter into an employment relationship on the terms and conditions as described in this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged by both parties, the Employer and the Executive agree as follows:

1. EMPLOYMENT

- a. The Employer agrees to employ the Executive pursuant to the terms and conditions described in this Agreement, including the appendices to this Agreement, and the Executive hereby accepts and agrees to such employment. Unless otherwise defined, the defined terms in this Agreement will have the same meaning in the appendices hereto.
- b. The Executive’s employment under this Agreement is conditional on the Executive obtaining authorization and documentation to legally work in Canada (“**Work Authorization**”). It is a condition of the Executive’s continued employment that the Executive maintain the necessary Work Authorization to work in Canada throughout the duration of the Executive’s employment. The parties agree to work together on a best efforts basis to obtain from the appropriate Canadian governmental authorities, and maintain, such Work Authorization. If the Executive is unable to obtain the Work Authorization, or if the Executive is subsequently unable to renew the Work Authorization, the Employer will offer the Executive employment in the United States on substantially the same terms herein, on the condition that the Executive’s employment under the US employment agreement will be for a fixed term of 15 months and the Executive will cooperate with the Employer to obtain the Work Authorization to resume work in Canada prior to the end of the fixed term. The Executive agrees that prior to the expiry of the term of the US employment agreement, he will accept continued

employment in Canada on the terms of this Agreement, which will supersede the US employment agreement.

- c. The Executive will be employed in the position of **Chief Information Officer** and such other duties and responsibilities consistent with his position as may be assigned by the Employer from time to time.
- d. The Executive's employment with the Employer will commence on **March 23, 2020** (the "**Commencement Date**"), and the Executive's employment hereunder will continue for an indefinite period of time until terminated in accordance with the terms of this Agreement or applicable law (the "**Term**").
- e. During the Term, the Executive will at all times:
 - i. well and faithfully serve the Employer, and act honestly and in good faith in the best interests of the Employer;
 - ii. devote all of the Executive's business time, attention and abilities, and provide his best efforts, expertise, skills and talents, to the business of the Employer, except as provided in Section 2(b);
 - iii. adhere to all generally applicable written policies of the Employer, and obey and observe to the best of the Executive's abilities all lawful orders and directives, whether verbal or written, of the Board;
 - iv. act lawfully and professionally, and exercise the degree of care, diligence and skill that an executive employee would exercise in comparable circumstances; and
 - v. to the best of the Executive's abilities perform the duties and exercise the responsibilities required of the Executive under this Agreement.

2. PRIOR COMMITMENTS AND OUTSIDE ACTIVITIES

- a. The Executive represents and warrants to the Employer that the Executive has no existing common law, contractual or statutory obligations to his former employer or to any other person that will conflict with the Executive's duties and responsibilities under this Agreement.
- b. During the term of this Agreement, the Executive will not be engaged directly or indirectly in any outside business activities, whether for profit or not-for-profit, as principal, partner, director, officer, active shareholder, advisor, employee or otherwise, without first having obtained the written permission of the Employer.

3. POLICIES

- a. The Executive agrees to comply with all generally applicable written policies applying to the Employer's staff that may reasonably be issued by the Employer from time to time. The Executive agrees that the introduction, amendment and administration of such generally applicable written policies are within the sole discretion of the Employer. If the Employer introduces, amends or deletes such generally applicable written policies, such introduction, deletion or amendment will not constitute a constructive dismissal or breach of this Agreement. If there is a direct conflict between this Agreement and any such policy, this Agreement will prevail to the extent of the inconsistency.

4. COMPENSATION

- a. Upon the Commencement Date, and continuing during the Term, the Executive will earn the following annual compensation, less applicable statutory and regular payroll deductions and withholdings:

Compensation Element	\$US
Annual Base Salary	\$400,000 (the “ Base Salary ”)
Annual Short-Term Incentive	65% of Base Salary at Target (the “ STI Bonus ”) (0% - 200% of Base Salary based on actual performance)
Annual Long-Term Incentive Grant	<p>Targeted at 200% of Base Salary (the “LTI Grant”)</p> <p>Those eligible to participate in the Employer’s long-term incentive plan (LTI Plan) may be entitled to receive an equity award subject to the terms set forth in the relevant shareholder-approved equity plan. Grants under the LTI Plan are made at the complete discretion and subject to the approval of the Compensation Committee and are based on the recommendation of the senior management or the CEO of the Company.</p>

- b. The structure of the STI Bonus and LTI Grant will be consistent with those granted to the Employer’s other executives, and is subject to amendment from time to time by the Employer. Currently, LTI grants for executives are provided as follows:
- i. 50% in stock options, with a ten-year term, vesting in equal one-third parts after the first, second and third anniversaries of the grant date;
 - ii. 50% in performance share units, vesting on the third anniversary of the grant date based on meeting pre-established performance criteria, with the number of share units that ultimately vest ranging from 0% to 200% of target based on actual performance.
- c. The specific terms and conditions for the LTI Grant (including but not limited to the provisions upon termination of employment) will be based on the relevant plan documents.
- d. The Executive’s STI Bonus for 2020 will be pro-rated to the Executive’s actual term of service in 2020.
- e. The Executive will be eligible for a full year (not pro-rated) LTI grant in respect of 2020 as described in section 4 b; the equity grant is contingent on Compensation Committee approval. The specific terms and conditions for LTI Grants (including but not limited to the provisions upon termination of employment) will be based on the relevant plan documents and may be subject to amendments from time to time by RBA Pubco.
- f. The executive will be eligible for a sign-on grant (“SOG”) having an economic value of USD\$400,000 and payable in the form of performance share units (“PSUs”) granted pursuant

to RBA Pubco's Performance Share Unit Plan (the "PSU Plan"), with the actual number of PSUs being calculated by reference to the volume weighted average trading price of the common shares of RBA Pubco as set forth in the PSU Plan. The PSUs will cliff vest in March 2023, on the same date as PSUs granted to other Executives as part of the normal 2020 grant cycle.

- g. Notwithstanding any other provisions in this Agreement to the contrary, the Executive will be subject to any written clawback/recoupment policy of the Employer in effect from time-to-time, allowing the recovery of incentive compensation previously paid or payable to the Executive in cases of proven misconduct or material financial restatement, whether pursuant to the requirements of Dodd-Frank Wall Street Reform and the *Consumer Protection Act*, the listing requirements of any national securities exchange on which common stock of the Employer is listed, or otherwise.

5. BENEFITS

- a. The Executive will be eligible to participate in the Employer's US group benefit plans, subject to the terms and conditions of said plans and the applicable policies of the Employer and applicable benefits providers. Subject to the Executive's eligibility, such benefits will include, without limitation, United States medical coverage satisfying the minimum essential coverage requirements under the United States *Patient Protection and Affordable Care Act*, short-term and long-term disability coverage, and term life insurance.
- b. The liability of the Employer with respect to the Executive's employment benefits is limited to the premiums or portions of the premiums the Employer regularly pays on behalf of the Executive in connection with said employee benefits. The Executive agrees that the Employer is not, and will not be deemed to be, the insurer and, for greater certainty, the Employer will not be liable for any decision of a third-party benefits provider or insurer, including any decision to deny coverage or any other decision that affects the Executive's benefits or insurance.
- c. The Employer will reimburse the Executive for up to \$15,000 in 2020, and up to \$5,000 per annum thereafter, for expenses related to professional advice concerning the completion of the Employment Agreement, and tax planning and compliance. Reimbursement for such professional advice will be reported as a taxable benefit.
- d. The Executive will be eligible to contribute to the Employer's US-based 401(k) savings plan pursuant to the terms of that plan.
- e. The Executive will be eligible to participate in the Employer's Employee Share Purchase Plan, in accordance with the terms of that plan.

6. EXPENSES

- a. The Employer will reimburse the Executive, in accordance with the Employer's policies, for all authorized travel and other out-of-pocket expenses actually and properly incurred by the Executive in the course of carrying out the Executive's duties and responsibilities under this Agreement.

7. HOURS OF WORK AND OVERTIME

- a. Given the management nature of the Executive's position, the Executive is required to work additional hours from time to time, and is not eligible for overtime pay. The Executive acknowledges and agrees that the compensation provided under this Agreement represents full compensation for all of the Executive's working hours and services, including overtime.

8. PAID TIME OFF (PTO)

- a. The Executive will earn up to five (5) weeks (or twenty-five (25) business days) of paid time off (PTO) per annum, pro-rated for any partial year of employment.
- b. The Executive will take his PTO subject to business needs, and in accordance with the Employer's PTO policy in effect from time to time.
- c. Annual PTO must be taken and may not be accrued, deferred or banked without the Employer's written approval.

9. TERMINATION OF EMPLOYMENT

- a. Termination for cause: The Employer may terminate the Executive's employment at any time for Cause, after providing Executive with at least 30 days' notice of such proposed termination and 15 days to remedy the alleged defect. In this Agreement, "Cause" means the willful and continued failure by the Executive to substantially perform, or otherwise properly carry out, the Executive's duties on behalf of RBA Pubco or an affiliate, or to follow, in any material respect, the lawful policies, procedures, instructions or directions of the Employer or any applicable affiliate (other than any such failure resulting from the Executive's disability or incapacity due to physical or mental illness), or the Executive willfully or intentionally engaging in illegal or fraudulent conduct, financial impropriety, intentional dishonesty, breach of duty of loyalty or any similar intentional act which is materially injurious RBA Pubco or an affiliate, or which may have the effect of materially injuring the reputation, business or business relationships of the Employer or an affiliate, or any other act or omission constituting cause for termination of employment without notice or pay in lieu of notice at common law. For the purposes of this definition, no act, or failure to act, on the part of an Executive shall be considered "willful" unless done, or omitted to be done, by the Executive in bad faith and without reasonable belief that the Executive's action or omissions were in, or not opposed to, the best interests of the Employer and its affiliates.

In the event of termination for Cause, the rights of the Executive with respect to any performance share units ("PSUs") or stock options granted pursuant to the Employer's Performance Share Unit Plan (the "PSU Plan") and stock option plan (the "Option Plan"), respectively, and pursuant to any and all PSU and stock option grant agreements, will be governed pursuant to the terms of the PSU Plan, Option Plan and respective grant agreements for such PSUs and stock options.

- b. Termination for Good Reason: The Executive may terminate his employment with the Employer for Good Reason by delivery of written notice to the Employer within the sixty (60) day period commencing upon the occurrence of Good Reason including the basis for such Good Reason (with such termination effective thirty (30) days after such written notice is delivered to the Employer and only in the event that the Employer fails or is unable to cure such Good Reason within such thirty (30) day period). In the event of a termination of the Executive's employment for Good Reason, the Executive will receive pay and benefits as if terminated by the Employer without Cause under Section 10 c., below, and the termination shall be regarded as a termination without Cause for purposes of the Option Plan and the PSU Plan. In this

Agreement, “**Good Reason**” means a material adverse change by RBA Pubco or an affiliate, without the Executive’s consent, to the Executive’s position, authority, duties, responsibilities, Executive’s place of residence, Base Salary or the potential short-term or long-term incentive bonus the Executive is eligible to earn, but does not include (1) a change in the Executive’s duties and/or responsibilities arising from a change in the scope or nature of RBA Pubco’s business operations, provided such change does not adversely affect the Executive’s position or authority or (2) a change across the board affecting similar executives in a similar fashion, or (3) the inability or failure, for whatever reason, of the Executive to be able to work as needed periodically in British Columbia.

- c. Termination without Cause: The Employer may terminate the Executive’s employment at any time, without Cause by providing the Executive with the following:
- i. Eighteen (18) months’ Base Salary and STI Bonus at Target;
 - ii. all equity awards will be governed by the terms of the relevant plan;
 - iii. an STI Bonus for the year of termination of employment, pro-rated based on the number of days in the year prior to the Termination Date (as defined below); and
 - iv. continued extended health and dental benefits coverage at active employee rates until the earlier of the first anniversary of the termination of the Executive’s employment or the date on which the Executive begins new full-time employment.
- d. Resignation: The Executive may terminate his employment with the Employer at any time by providing the Employer with three (3) months’ notice in writing to that effect. If the Executive provides the Employer with written notice under this Section, the Employer may waive such notice, in whole or in part, in which case the Employer will pay the Executive the Base Salary only for the amount of time remaining in that notice period and the Executive’s employment will terminate on the earlier date specified by the Employer without any further compensation.
- In the event of resignation, the rights of the Executive with respect to any PSUs or stock options granted pursuant to the PSU Plan and Option Plan, respectively, and pursuant to any and all PSU and stock option grant agreements, will be governed pursuant to the terms of the PSU Plan, Option Plan and respective grant agreements for such PSUs and stock options.
- e. Retirement: In the event of the Executive’s retirement, as defined by the Employer’s policies, the rights of the Executive with respect to any PSUs or stock options granted pursuant to the PSU Plan and Option Plan, respectively, and pursuant to any and all PSU and stock option grant agreements, will be governed pursuant to the terms of the PSU Plan, Option Plan and respective grant agreements for such PSUs and stock options.
- f. Termination Without Cause or For Good Reason Following Change of Control: In the event of Termination without Cause or for Good Reason within one (1) year of a change of control of RBA Pubco or the Employer, the Executive will have the rights set forth in the Change of Control Agreement attached as **Appendix “B”** hereto.
- g. Deductions and withholdings: All payments under this Section are subject to applicable statutory and regular payroll deductions and withholdings in the US as applicable.

- h. Terms of Payment upon Termination: Upon termination of the Executive's employment, for any reason:
- i. Subject to Section 9 b. and except as limited by Section 9 h. (ii), the Employer will pay the Executive all earned and unpaid Base Salary, earned and unpaid vacation pay, and a prorated STI Bonus, up to and including the Executive's last day of active employment with the Employer (the "**Termination Date**"), with such payment to be made within five (5) business days of the Termination Date.
 - ii. In the event of resignation by the Executive or termination of the Executive's employment for Cause, no STI Bonus will be payable to the Executive; and
 - iii. On the Termination Date, the Executive will immediately deliver to the Employer all files, computer disks, Confidential Information, information and documents pertaining to the Employer's Business, and all other property of the Employer that is in the Executive's possession or control, without making or retaining any copy, duplication or reproduction of such files, computer disks, Confidential Information, information or documents without the Employer's express written consent.
- i. Other than as expressly provided herein, the Executive will not be entitled to receive any further pay or compensation, severance pay, notice, payment in lieu of notice, incentives, bonuses, benefits, rights and damages of any kind. The Executive acknowledges and agrees that, in the event of a payment under Section 9b. or Section 9 c. of this Agreement, the Executive will not be entitled to any other payment in connection with the termination of the Executive's employment.
- j. Notwithstanding the foregoing, in the event of a termination without Cause, the Employer will not be required to pay any Base Salary or STI Bonus to the Executive beyond that earned by the Executive up to and including the Termination Date, unless the Executive signs within sixty (60) days of the Termination Date and does not revoke a full and general release (the "Release") of any and all claims that the Executive has against the Employer or its affiliates and such entities' past and then current officers, directors, owners, managers, members, agents and employees relating to all matters, in form and substance satisfactory to the Employer, provided, however, that the payment shall not occur prior to the effective date of the Release, provided further that if the maximum period during which Executive can consider and revoke the release begins in one calendar year and ends in another calendar year, then such payment shall not be made until the first payroll date occurring after the later of (A) the last day of the calendar year in which such period begins, and (B) the date on which the Release becomes effective.
- k. Notwithstanding any changes in the terms and conditions of the Executive's employment which may occur in the future, including any changes in position, duties or compensation, the termination provisions in this Agreement will continue to be in effect for the duration of the Executive employment with the Employer unless otherwise amended in writing and signed by the Employer.
- l. Agreement authorizing payroll deductions: If, on the date the employment relationship ends, regardless of the reason, the Executive owes the Employer any money (whether pursuant to an advance, overpayment, debt, error in payment, or any other reason), the Executive hereby authorizes the Employer to deduct any such debt amount from the Executive's salary, severance or any other payment due to the Executive. Any remaining debt will be immediately payable to

the Employer and the Executive agrees to satisfy such debt within 14 days of the Termination Date or any demand for repayment.

10. SHARE OWNERSHIP REQUIREMENTS

- a. The Executive will be subject to the Employer's share ownership guideline policy, as amended from time to time.

11. CONFIDENTIAL INFORMATION

- a. In this Agreement "Confidential Information" means information proprietary to the Employer that is not publically known or available, including but not limited to personnel information, customer information, supplier information, contractor information, pricing information, financial information, marketing information, business opportunities, technology, research and development, manufacturing and information relating to intellectual property, owned, licensed, or used by the Employer or in which the Employer otherwise has an interest, and includes Confidential Information created by the Executive in the course of his employment, jointly or alone. The Executive acknowledges that the Confidential Information is the exclusive property of the Employer.
- b. The Executive agrees at all times during the Term and after the Term, to hold the Confidential Information in strictest confidence and not to disclose it to any person or entity without written authorization from the Employer and the Executive agrees not to copy or remove it from the Employer's premises except in pursuit of the Employer's business, or to use or attempt to use it for any purpose other than the performance of the Executive's duties on behalf of the Employer.
- c. The Executive agrees, at all times during and after the Term, not use or take advantage of the Confidential Information for creating, maintaining or marketing, or aiding in the creation, maintenance, marketing or selling, of any products and/or services which are competitive with the products and services of the Employer.
- d. Upon the request of the Employer, and in any event upon the termination of the Executive's employment with the Employer, the Executive will immediately return to the Employer all materials, including all copies in whatever form containing the Confidential Information which are within the Executive's possession or control.

12. INVENTIONS

- a. In this Agreement, "Invention" means any invention, improvement, method, process, advertisement, concept, system, apparatus, design or computer program or software, system or database.
- b. The Executive acknowledges and agrees that every Invention which the Executive may, at any time during the terms of his employment with the Employer or its affiliates, make, devise or conceive, individually or jointly with others, whether during the Employer's business hours or otherwise, and which relates in any manner to the Employer's business will belong to, and be the exclusive property of the Employer, and the Executive will make full and prompt disclosure to the Employer of every such Invention. The Executive hereby irrevocably waives all moral rights that the Executive may have in every such Invention.

- c. The Executive undertakes to, and hereby does, assign to the Employer, or its nominee, every such Invention and to execute all assignments or other instruments and to do any other things necessary and proper to confirm the Employer's right and title in and to every such Invention. The Executive further undertakes to perform all proper acts within his power necessary or desired by the Employer to obtain letters patent in the name of the Employer and at the Employer's expense for every such Invention in whatever countries the Employer may desire, without payment by the Employer to the Executive of any royalty, license fee, price or additional compensation.
- d. The Executive acknowledges that all original works of authorship which are made by the Executive (solely or jointly with others) within the scope of the Executive's employment and which are protectable by copyright are "works made for hire," pursuant to United States Copyright Act (17 U.S.C., Section 101).

13. NON-SOLICITATION

- a. The Executive acknowledges that in the course of the Executive's employment with the Employer the Executive will develop close relationships with the Employer's clients, customers and employees, and that the Employer's goodwill depends on the development and maintenance of such relationships. The Executive acknowledges that the preservation of the Employer's goodwill and the protection of its relationships with its customers and employees are proprietary rights that the Employer is entitled to protect.
- b. The Executive will not during the Applicable Period, whether individually or in partnership or jointly or in conjunction with any person or persons, as principal, agent, shareholder, director, officer, employee or in any other manner whatsoever:
 - i. solicit any client or customer of the Employer with whom the Executive dealt during the twelve (12) months immediately prior to the termination of the Executive's employment with the Employer (however caused) for the purposes of (a) causing or trying to cause such client or customer to cease doing business with the Employer or to reduce such business with the Employer by diverting it elsewhere or (b) providing products or services that are the same as or competitive with the business of the Employer in the area of facilitating the exchange of industrial equipment, provided, for greater clarity, that such limitation shall not restrict the Executive from the general exchange of industrial equipment as part of the normal business operations of a future employer where such employer is not engaged in the exchange of industrial equipment by way of auctions or online equipment exchange platforms similar to those operated by the Employer; or
 - ii. seek in any way to solicit, engage, persuade or entice, or attempt to solicit, engage, persuade or entice any employee of the Employer, to leave his or her employment with the Employer,

The "**Applicable Period**" means a period of twelve (12) months following termination, regardless of the reason for such termination or the party effecting it.

14. NON-COMPETITION

- a. The Executive agrees that, without the prior written consent of the Employer, the Executive will not, directly or indirectly, in a capacity similar to that of the Executive with the Employer, carry on, be engaged in, be concerned with or interested in, perform services for, or be employed in a business which is the same as or competitive with the business of the Employer

in the area of asset management or facilitating the exchange of industrial equipment, or in the area of the buying, selling or auctioning of industrial equipment, either individually or in partnership or jointly or in conjunction with any person as principal, agent, employee, officer or shareholder. The foregoing restriction will be in effect for a period of twelve (12) months following the termination of the Executive's employment, regardless of the reason for such termination or the party effecting it, within the geographical area of Canada and the United States.

15. REMEDIES FOR BREACH OF RESTRICTIVE COVENANTS

- a. The Executive acknowledges that the restrictions contained in Sections 9 h. iii., 11, 12, 13, and 14 of this Agreement are, in view of the nature of the Employer's business, reasonable and necessary in order to protect the legitimate interests of the Employer and that any violation of those Sections would result in irreparable injuries and harm to the Employer, and that damages alone would be an inadequate remedy.
- b. The Executive hereby agrees that the Employer will be entitled to the remedies of injunction, specific performance and other equitable relief to prevent a breach or recurrence of a breach of this Agreement and that the Employer will be entitled to its reasonable legal costs and expenses, including but not limited to its attorneys' fees, incurred in properly enforcing a provision of this Agreement.
- c. Nothing contained herein will be construed as a waiver of any of the rights that the Employer may have for damages or otherwise.
- d. The Executive and the Employer expressly agree that the provisions of Sections 9 h. iii., 11, 12, 13, 14, and 21 of this Agreement will survive the termination of the Executive's employment for any reason.

16. GOVERNING LAW

- a. This Agreement will be governed by the laws of the Province of British Columbia.

17. SEVERABILITY

- a. All sections, paragraphs and covenants contained in this Agreement are severable, and in the event that any of them will be held to be invalid, unenforceable or void by a court of a competent jurisdiction, such sections, paragraphs or covenants will be severed and the remainder of this Agreement will remain in full force and effect.

18. ENTIRE AGREEMENT

- a. This Agreement, including the Appendices, and any other documents referenced herein, contains the complete agreement concerning the Executive's employment by the Employer and will, as of the date it is executed, supersede any and all other employment agreements between the parties.
- b. The parties agree that there are no other contracts or agreements between them, and that neither of them has made any representations, including but not limited to negligent misrepresentations, to the other except such representations as are specifically set forth in this Agreement, and that any statements or representations that may previously have been made by

either of them to the other have not been relied on in connection with the execution of this Agreement and are of no effect.

- c. No waiver, amendment or modification of this Agreement or any covenant, condition or restriction herein contained will be valid unless executed in writing by the party to be charged therewith, with the exception of those modifications expressly permitted within this Agreement. Should the parties agree to waive, amend or modify any provision of this Agreement, such waiver, amendment or modification will not affect the enforceability of any other provision of this Agreement. Notwithstanding the foregoing, the Employer may unilaterally amend the provisions of Section 10 c. relating to provision of certain health benefits following termination of employment to the extent the Employer deems necessary to avoid the imposition of excise taxes, penalties or similar charges on the Employer or any of its Affiliates, including, without limitation, under Section 4980D of the U.S. Internal Revenue Code.

19. CONSIDERATION

- a. The parties acknowledge and agree that this Agreement has been executed by each of them in consideration of the mutual premises and covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged. The parties hereby waive any and all defenses relating to an alleged failure or lack of consideration in connection with this Agreement.

20. INTERPRETATION

- a. Headings are included in this Agreement for convenience of reference only and do not form part of this Agreement.

21. DISPUTE RESOLUTION

In the event of a dispute arising out of or in connection with this Agreement, or in respect of any legal relationship associated with it or from it, which does not involve the Employer seeking a court injunction or other injunctive or equitable relief to protect its business, confidential information or intellectual property, that dispute will be resolved in strict confidence as follows:

- a. Amicable Negotiation – The parties agree that, both during and after the performance of their responsibilities under this Agreement, each of them will make *bona fide* efforts to resolve any disputes arising between them via amicable negotiations;
- b. Arbitration – If the parties have been unable to resolve a dispute for more than 90 days, or such other period agreed to in writing by the parties, either party may refer the dispute for final and binding arbitration by providing written notice to the other party. If the parties cannot agree on an arbitrator within thirty (30) days of receipt of the notice to arbitrate, then either party may make application to the British Columbia Arbitration and Mediation Society to appoint one. The arbitration will be held in Vancouver, British Columbia, in accordance with the BCICAC's Shorter Rules for Domestic Commercial Arbitration, and each party will bear its own costs, including one-half share of the arbitrator's fees.

22. ENUREMENT

- a. The provisions of this Agreement will enure to the benefit of and be binding upon the parties, their heirs, executors, personal legal representatives and permitted assigns, and related companies.
- b. This Agreement may be assigned by the Employer in its discretion, in which case the assignee shall become the Employer for purposes of this Agreement. This Agreement will not be assigned by the Executive.

Dated this 13th day of March 2020

Signed, Sealed and Delivered by)
Baron Concors in the)
presence of:)
))

Name)
))

Address)
))

))
))

Occupation)

/s/ Baron Concors
BARON CONCORS

RITCHIE BROS. AUCTIONEERS (CANADA) LTD.

Per: */s/ Todd Wohler*
Authorized Signatory

APPENDIX "B"

CHANGE OF CONTROL AGREEMENT

THIS AGREEMENT executed on the 13 day of March, 2020.

BETWEEN:

RITCHIE BROS. AUCTIONEERS (CANADA) LTD.,
a corporation incorporated under the laws of Canada, and having an office at 9500
Glenlyon Parkway, Burnaby, British Columbia, V5J 0C6

(the "Company")

AND:

BARON CONCORDS

(the "Executive")

WITNESSES THAT WHEREAS:

- A. The Executive is an executive of the Company and the Parent Company (as defined below) and is considered by the Board of Directors of the Parent Company (the "Board") to be a vital employee with special skills and abilities, and will be well-versed in knowledge of the Company's business and the industry in which it is engaged;
- B. The Board recognizes that it is essential and in the best interests of the Company and its shareholders that the Company retain and encourage the Executive's continuing service and dedication to his office and employment without distraction caused by the uncertainties, risks and potentially disturbing circumstances that could arise from a possible change in control of the Parent Company;
- C. The Board further believes that it is in the best interests of the Company and its shareholders, in the event of a change of control of the Parent Company, to maintain the cohesiveness of the Company's senior management team so as to ensure a successful transition, maximize shareholder value and maintain the performance of the Company;
- D. The Board further believes that the service of the Executive to the Company requires that the Executive receive fair treatment in the event of a change in control of the Parent Company; and
- E. In order to induce the Executive to remain in the employ of the Company notwithstanding a possible change of control, the Company has agreed to provide to the Executive certain benefits in the event of a change of control.

NOW THEREFORE in consideration of the premises and the covenants herein contained on the part of the parties hereto and in consideration of the Executive continuing in office and in the employment of the Company, the Company and the Executive hereby covenant and agree as follows:

1. Definitions

In this Agreement,

- (a) “Agreement” means this agreement as amended or supplemented in writing from time to time;
- (b) “Annual Base Salary” means the annual salary payable to the Executive by the Company from time to time, but excludes any bonuses and any director’s fees paid to the Executive by the Company;
- (c) “STI Bonus” means the annual at target short-term incentive bonus the Executive is eligible to earn under the Employment Agreement, in accordance with the short-term incentive bonus plan;
- (d) “Change of Control” means:
 - (i) a Person, or group of Persons acting jointly or in concert, acquiring or accumulating beneficial ownership of more than 50% of the Voting Shares of the Parent Company;
 - (ii) a Person, or Group of Persons acting jointly or in concert, holding at least 25% of the Voting Shares of the Parent Company and being able to change the composition of the Board of Directors by having the Person’s, or Group of Persons’, nominees elected as a majority of the Board of Directors of the Parent Company;
 - (iii) the arm’s length sale, transfer, liquidation or other disposition of all or substantially all of the assets of the Parent Company, over a period of one year or less, in any manner whatsoever and whether in one transaction or in a series of transactions or by plan of arrangement; or
 - (iv) a reorganization, merger or consolidation or sale or other disposition of substantially all the assets of the Company (a “Business Combination”), unless following such Business Combination the Parent Company beneficially owns all or substantially all of the Company’s assets either directly or through one or more subsidiaries.
- (e) “Date of Termination” means the date when the Executive ceases to actively provide services to the Company, or the date when the Company instructs him to stop reporting to work;
- (f) “Employment Agreement” means the employment agreement between the Company and the Executive dated March 13, 2020;
- (g) “Good Reason” means either:
 - (i) Good Reason as defined in the Employment Agreement; or
 - (ii) the failure of the Company to obtain from a successor to all or substantially all of the business or assets of the Parent Company, the successor’s agreement to continue to employ the Executive on substantially similar terms and conditions as contained in the Employment Agreement;
- (h) “Cause” has the meaning defined in the Employment Agreement.
- (i) “Parent Company” means Ritchie Bros. Auctioneers Incorporated.

- (j) “Person” includes an individual, partnership, association, body corporate, trustee, executor, administrator, legal representative and any national, provincial, state or municipal government; and
- (k) “Voting Shares” means any securities of the Parent Company ordinarily carrying the right to vote at elections for directors of the Board, provided that if any such security at any time carries the right to cast more than one vote for the election of directors, such security will, when and so long as it carries such right, be considered for the purposes of this Agreement to constitute and be such number of securities of the Parent Company as is equal to the number of votes for the election of directors that may be cast by its holder.

2. Scope of Agreement

- (a) The parties intend that this Agreement set out certain of their respective rights and obligations in certain circumstances upon or after Change of Control as set out in this Agreement.
- (b) This Agreement does not purport to provide for any other terms of the Executive’s employment with the Company or to contain the parties’ respective rights and obligations on the termination of the Executive’s employment with the Company in circumstances other than those upon or after Change of Control as set out in this Agreement.
- (c) Where there is any conflict between this Agreement and (i) the Employment Agreement, or (ii) a Company plan or policy relating to compensation or executive programs, the terms of this Agreement will prevail.

3. Compensation Upon or After Change of Control

- (a) If the Executive’s employment with the Company is terminated (i) by the Company without Cause upon a Change of Control or within two years following a Change of Control; or (ii) by the Executive for Good Reason upon a Change of Control or within one (1) year following a Change of Control:
 - (i) the Company will pay to the Executive a lump sum cash amount equal to the aggregate of:
 - A. one and one-half (1.5) times Base Salary;
 - B. one and one-half (1.5) times at-target STI Bonus;
 - C. one and one-half (1.5) times the annual premium cost that would be incurred by the Company to continue to provide to the Executive all health, dental and life insurance benefits provided to the Executive immediately before the Date of Termination;
 - D. the earned and unpaid Base Salary and vacation pay to the Date of Termination; and
 - E. an amount calculated by dividing by 365 the Executive’s target bonus under the STI Bonus for the fiscal year in which the Date of Termination occurs, and multiplying that number by the number of days completed in the fiscal year as of the Date of Termination.

- (ii) the Executive will continue to have all rights under the Amended and Restated Stock Option Plan of the Company (the “Option Plan”), and under option agreements entered into in accordance with the Option Plan, with respect to options granted on or before the Date of Termination, as if the Executive’s employment had been terminated by the Company without cause; and
 - (iii) the Executive will continue to have all rights held by the Executive pursuant to the Company’s Performance Share Unit Plan (the “PSU Plan”), and under any and all grant agreements representing performance share units, granted on or before the Change of Control.
- (b) All amounts payable pursuant to this section 3 are subject to required statutory deductions and withholdings.
 - (c) No such payment pursuant to this Section 3 shall be made unless the Executive signs within sixty (60) days of the Termination Date and does not revoke a full and general release (the “Release”) of any and all claims that the Executive has against the Company or its affiliates and such entities’ past and then current officers, directors, owners, managers, members, agents and employees relating to all matters, in form and substance satisfactory to the Company, provided, however, that the payment shall not occur prior to the effective date of the Release, provided further that if the maximum period during which Executive can consider and revoke the release begins in one calendar year and ends in another calendar year, then such payment shall not be made until the first payroll date occurring after the later of (A) the last day of the calendar year in which such period begins, and (B) the date on which the Release becomes effective.

4. Binding on Successors

- (a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, by agreement in favour of the Executive and in form and substance satisfactory to the Executive, to expressly assume and agree to perform all the obligations of the Company under this Agreement that would be required to be observed or performed by the Company pursuant to section 3. As used in this Agreement, “Company” means the Company and any successor to its business or assets as aforesaid which executes and delivers the agreement provided for in this section or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.
- (b) This Agreement will enure to the benefit of and be enforceable by the Executive’s successors and legal representatives but otherwise it is not assignable by the Executive.

5. No Obligation to Mitigate; No Other Agreement

- (a) The Executive is not required to mitigate the amount of any payment or benefit provided for in this Agreement, or any damages resulting from a failure of the Company to make any such payment or to provide any such benefit, by seeking other employment, taking early retirement, or otherwise, nor, except as expressly provided in this Agreement, will the amount of any payment provided for in this Agreement be reduced by any compensation earned by the Executive as a result of taking early retirement, employment by another employer after termination or otherwise.

- (b) The Executive represents and warrants to the Company that the Executive has no agreement or understanding with the Company in respect of the subject matters of this Agreement, except as set out in this Agreement.

6. Exhaustive Compensation

The Executive agrees with and acknowledges to the Company that the compensation provided for under section 3 of this Agreement is all the compensation payable by the Company to the Executive in relation to a Change of Control, or his termination from employment upon or subsequent to a Change of Control, under the circumstances provided for in this Agreement. The Executive further agrees and acknowledges that in the event of payment under section 3 of this Agreement, he will not be entitled to any termination payment under the Employment Agreement.

7. Amendment and Waiver

No amendment or waiver of this Agreement will be binding unless executed in writing by the parties to be bound by this Agreement.

8. Choice of Law

This Agreement will be governed and interpreted in accordance with the laws of the Province of British Columbia, which will be the proper law hereof. All disputes and claims will be referred to the Courts of the Province of British Columbia, which will have jurisdiction, but not exclusive jurisdiction, and each party hereby submits to the non-exclusive jurisdiction of such courts.

9. Severability

If any section, subsection or other part of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, such invalid or unenforceable section, subsection or part will be severable and severed from this Agreement, and the remainder of this Agreement will not be affected thereby but remain in full force and effect.

10. Notices

Any notice or other communication required or permitted to be given hereunder must be in writing and given by facsimile or other means of electronic communication, or by hand-delivery, as hereinafter provided. Any such notice or other communication, if sent by facsimile or other means of electronic communication or by hand delivery, will be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to an individual at such address having apparent authority to accept deliveries on behalf of the addressee. Notice of change of address will also be governed by this section. Notices and other communications will be addressed as follows:

- (a) if to the Executive, to such address as the Executive has provided in writing.
- (b) if to the Company:

9500 Glenlyon Parkway
 Burnaby, British Columbia V5J 0C6
 Attention: Corporate Secretary
 Facsimile: (778) 331-5501

11. Copy of Agreement

The Executive hereby acknowledges receipt of a copy of this Agreement executed by the Company.

**RITCHIE BROS. AUCTIONEERS
 (CANADA) LTD.**

By: /s/ Todd Wohler

Name: Todd Wohler

Signed, Sealed and Delivered by)	
Baron Concors in the)	
presence of:)	
)	
<u> Leslie Concors</u>)	<u> /s/ Baron Concors</u>
Name)	BARON CONCORDS
)	
<u> 4144 San Carlos</u>)	
Address)	
)	
<u> Dallas, TX 75205</u>)	
)	
<u> Management</u>)	
Occupation)	

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934**

I, Ann Fandozzi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ritchie Bros. Auctioneers Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2020

/s/ Ann Fandozzi

Ann Fandozzi
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934**

I, Sharon R. Driscoll, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ritchie Bros. Auctioneers Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2020

/s/ Sharon R. Driscoll

Sharon R. Driscoll
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Ritchie Bros. Auctioneers Incorporated (the "Company") on Form 10-Q for the period ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ann Fandozzi, Chief Executive Officer, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2020

/s/ Ann Fandozzi

Ann Fandozzi
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Ritchie Bros. Auctioneers Incorporated (the "Company") on Form 10-Q for the period ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sharon R. Driscoll, Chief Financial Officer, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2020

/s/ Sharon R. Driscoll

Sharon R. Driscoll
Chief Financial Officer