

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 September 30, 2022

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: 110,872,179 common shares, without par value, outstanding as of November 4, 2022.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**  
**FORM 10-Q**  
**For the quarter ended September 30, 2022**

**INDEX**

**PART I – FINANCIAL INFORMATION**

ITEM 1:	Consolidated Financial Statements	1
ITEM 2:	Management’s Discussion and Analysis of Financial Condition and Results of Operations	28
ITEM 3:	Quantitative and Qualitative Disclosures About Market Risk	57
ITEM 4:	Controls and Procedures	57

**PART II – OTHER INFORMATION**

ITEM 1:	Legal Proceedings	58
ITEM 1A:	Risk Factors	58
ITEM 2:	Unregistered Sales of Equity Securities and Use of Proceeds	60
ITEM 3:	Defaults Upon Senior Securities	60
ITEM 4:	Mine Safety Disclosures	60
ITEM 5:	Other Information	60
ITEM 6:	Exhibits	61

<b>SIGNATURES</b>	62
-------------------	----

**PART I – FINANCIAL INFORMATION**

**ITEM 1: CONSOLIDATED FINANCIAL STATEMENTS**

**Condensed Consolidated Income Statements**

(Expressed in thousands of U.S. dollars, except share and per share data)

(Unaudited)

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Revenue:</b>				
Service revenue	\$ 246,696	\$ 214,193	\$ 778,059	\$ 672,971
Inventory sales revenue	164,783	115,489	511,887	384,627
<b>Total revenue</b>	<b>411,479</b>	<b>329,682</b>	<b>1,289,946</b>	<b>1,057,598</b>
<b>Operating expenses:</b>				
Costs of services	41,521	35,108	125,575	114,275
Cost of inventory sold	147,253	102,993	455,006	344,763
Selling, general and administrative	133,193	106,508	404,077	330,307
Acquisition-related costs	2,031	10,255	15,067	16,226
Depreciation and amortization	24,290	21,907	72,813	64,912
Foreign exchange (gain) loss	(430)	360	(752)	788
<b>Total operating expenses</b>	<b>347,858</b>	<b>277,131</b>	<b>1,071,786</b>	<b>871,271</b>
Gain on disposition of property, plant and equipment	333	1,068	170,499	1,311
<b>Operating income</b>	<b>63,954</b>	<b>53,619</b>	<b>388,659</b>	<b>187,638</b>
Interest expense	(9,199)	(8,807)	(48,348)	(26,620)
Change in fair value of derivatives, net	—	—	1,263	—
Other income, net	2,866	602	5,426	2,800
<b>Income before income taxes</b>	<b>57,621</b>	<b>45,414</b>	<b>347,000</b>	<b>163,818</b>
Income tax expense	14,697	13,057	72,564	42,541
<b>Net income</b>	<b>\$ 42,924</b>	<b>\$ 32,357</b>	<b>\$ 274,436</b>	<b>\$ 121,277</b>
<b>Net income attributable to:</b>				
Stockholders	\$ 42,909	\$ 32,336	\$ 274,368	\$ 121,273
Non-controlling interests	15	21	68	4
<b>Net income</b>	<b>\$ 42,924</b>	<b>\$ 32,357</b>	<b>\$ 274,436</b>	<b>\$ 121,277</b>
<b>Earnings per share attributable to stockholders:</b>				
Basic	\$ 0.39	\$ 0.29	\$ 2.48	\$ 1.10
Diluted	\$ 0.38	\$ 0.29	\$ 2.45	\$ 1.09
<b>Weighted average number of shares outstanding:</b>				
Basic	110,838,237	110,410,172	110,750,021	110,233,851
Diluted	112,209,535	111,391,396	111,858,095	111,333,247

See accompanying notes to the condensed consolidated financial statements.

**Condensed Consolidated Statements of Comprehensive Income**

(Expressed in thousands of U.S. dollars)

(Unaudited)

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Net income	\$ 42,924	\$ 32,357	\$ 274,436	\$ 121,277
Other comprehensive income (loss), net of income tax:				
Foreign currency translation adjustment	(30,515)	(8,859)	(54,457)	(17,751)
Total comprehensive income	<u>\$ 12,409</u>	<u>\$ 23,498</u>	<u>\$ 219,979</u>	<u>\$ 103,526</u>
Total comprehensive income (loss) attributable to:				
Stockholders	\$ 12,420	\$ 23,487	\$ 219,969	\$ 103,546
Non-controlling interests	(11)	11	10	(20)
	<u>\$ 12,409</u>	<u>\$ 23,498</u>	<u>\$ 219,979</u>	<u>\$ 103,526</u>

See accompanying notes to the condensed consolidated financial statements.

**Condensed Consolidated Balance Sheets**

(Expressed in thousands of U.S. dollars, except share data)

(Unaudited)

	September 30, 2022	December 31, 2021
<b>Assets</b>		
Cash and cash equivalents	\$ 438,771	\$ 326,113
Restricted cash	76,303	102,875
Trade and other receivables	307,409	150,895
Less: allowance for credit losses	(3,963)	(4,396)
Inventory	101,302	102,494
Other current assets	27,512	64,346
Income taxes receivable	6,523	19,895
Total current assets	953,857	762,222
Restricted cash	—	933,464
Property, plant and equipment	444,538	449,087
Other non-current assets	147,900	142,504
Intangible assets	323,228	350,516
Goodwill	946,770	947,715
Deferred tax assets	6,281	7,406
Total assets	<u>\$ 2,822,574</u>	<u>\$ 3,592,914</u>
<b>Liabilities and Equity</b>		
Auction proceeds payable	\$ 441,439	\$ 292,789
Trade and other liabilities	266,139	280,308
Income taxes payable	38,678	5,677
Short-term debt	1,630	6,147
Current portion of long-term debt	4,296	3,498
Total current liabilities	752,182	588,419
Long-term debt	633,048	1,733,940
Other non-current liabilities	137,228	147,260
Deferred tax liabilities	60,916	52,232
Total liabilities	<u>1,583,374</u>	<u>2,521,851</u>
Commitments and Contingencies (Note 22 and Note 23 respectively)		
Stockholders' equity:		
Share capital:		
Common stock; no par value, unlimited shares authorized, issued and outstanding shares: 110,870,783 (December 31, 2021: 110,618,049)	239,141	227,504
Additional paid-in capital	81,937	59,535
Retained earnings	1,028,096	839,609
Accumulated other comprehensive loss	(110,372)	(55,973)
Stockholders' equity	1,238,802	1,070,675
Non-controlling interest	398	388
Total stockholders' equity	<u>1,239,200</u>	<u>1,071,063</u>
Total liabilities and equity	<u>\$ 2,822,574</u>	<u>\$ 3,592,914</u>

See accompanying notes to the condensed consolidated financial statements.

**Condensed Consolidated Statements of Changes in Equity**  
(Expressed in thousands of U.S. dollars, except where noted)  
(Unaudited)

	Attributable to stockholders						Non-controlling interest ("NCI")	Total equity
	Common stock		Additional paid-in capital ("APIC")	Retained earnings	Accumulated other comprehensive loss			
	Number of shares	Amount						
<b>Three months ended September 30, 2022</b>								
Balance, June 30, 2022	110,791,788	\$ 235,244	\$ 73,014	\$ 1,015,301	\$ (79,883)	\$ 409	\$ 1,244,085	
Net income	—	—	—	42,909	—	15	42,924	
Other comprehensive loss	—	—	—	—	(30,489)	(26)	(30,515)	
	—	—	—	42,909	(30,489)	(11)	12,409	
Stock option exercises	75,511	3,536	(636)	—	—	—	2,900	
Issuance of common stock related to vesting of share units	3,484	58	(198)	—	—	—	(140)	
Share-based continuing employment costs related to business combinations	—	303	1,560	—	—	—	1,863	
Stock option compensation expense	—	—	3,249	—	—	—	3,249	
Equity-classified share units expense	—	—	4,766	—	—	—	4,766	
Equity-classified share units dividend equivalents	—	—	182	(182)	—	—	—	
Cash dividends paid	—	—	—	(29,932)	—	—	(29,932)	
Balance, September 30, 2022	110,870,783	\$ 239,141	\$ 81,937	\$ 1,028,096	\$ (110,372)	\$ 398	\$ 1,239,200	
<b>Three months ended September 30, 2021</b>								
Balance, June 30, 2021	110,366,808	\$ 215,666	\$ 51,800	\$ 832,037	\$ (43,173)	\$ 5,097	\$ 1,061,427	
Net income	—	—	—	32,336	—	21	32,357	
Other comprehensive loss	—	—	—	—	(8,849)	(10)	(8,859)	
	—	—	—	32,336	(8,849)	11	23,498	
Stock option exercises	100,703	3,942	(725)	—	—	—	3,217	
Issuance of common stock related to vesting of share units	85	1	(7)	—	—	—	(6)	
Acquisition of remaining interest in NCI	—	—	(672)	69	—	(4,692)	(5,295)	
Share-based continuing employment costs related to business combinations	—	—	2,707	—	—	—	2,707	
Stock option compensation expense	—	—	2,133	—	—	—	2,133	
Equity-classified share units expense	—	—	2,283	—	—	—	2,283	
Equity-classified share units dividend equivalents	—	—	76	(76)	—	—	—	
Cash dividends paid	—	—	—	(27,607)	—	—	(27,607)	
Balance, September 30, 2021	110,467,596	\$ 219,609	\$ 57,595	\$ 836,759	\$ (52,022)	\$ 416	\$ 1,062,357	

	Attributable to stockholders						Non-controlling interest ("NCI")	Total equity
	Common stock		Additional paid-in capital ("APIC")	Retained earnings	Accumulated other comprehensive loss			
	Number of shares	Amount						
<b>Nine months ended September 30, 2022</b>								
Balance, December 31, 2021	110,618,049	\$ 227,504	\$ 59,535	\$ 839,609	\$ (55,973)	\$ 388	\$ 1,071,063	
Net income	—	—	—	274,368	—	68	274,436	
Other comprehensive loss	—	—	—	—	(54,399)	(58)	(54,457)	
	—	—	—	274,368	(54,399)	10	219,979	
Stock option exercises	155,694	7,090	(1,327)	—	—	—	5,763	
Issuance of common stock related to vesting of share units	97,040	2,426	(6,143)	—	—	—	(3,717)	
Share-based continuing employment costs related to business combinations	—	2,121	3,954	—	—	—	6,075	
Stock option compensation expense	—	—	8,871	—	—	—	8,871	
Equity-classified share units expense	—	—	16,450	—	—	—	16,450	
Equity-classified share units dividend equivalents	—	—	597	(597)	—	—	—	
Cash dividends paid	—	—	—	(85,284)	—	—	(85,284)	
Balance, September 30, 2022	110,870,783	\$ 239,141	\$ 81,937	\$ 1,028,096	\$ (110,372)	\$ 398	\$ 1,239,200	
<b>Nine months ended September 30, 2021</b>								
Balance, December 31, 2020	109,876,428	\$ 200,451	\$ 49,171	\$ 791,918	\$ (34,295)	\$ 5,154	\$ 1,012,399	
Net income	—	—	—	121,273	—	4	121,277	
Other comprehensive loss	—	—	—	—	(17,727)	(24)	(17,751)	
	—	—	—	121,273	(17,727)	(20)	103,526	
Stock option exercises	411,856	17,099	(3,184)	—	—	—	13,915	
Issuance of common stock related to vesting of share units	234,822	2,059	(11,384)	—	—	—	(9,325)	
Acquisition of remaining interest in NCI	—	—	(672)	70	—	(4,614)	(5,216)	
Share-based continuing employment costs related to business combinations	(55,510)	—	7,938	—	—	—	7,938	
Stock option compensation expense	—	—	5,903	—	—	—	5,903	
Equity-classified share units expense	—	—	9,465	—	—	—	9,465	
Equity-classified share units dividend equivalents	—	—	358	(358)	—	—	—	
Cash dividends paid	—	—	—	(76,144)	—	(104)	(76,248)	
Balance, September 30, 2021	110,467,596	\$ 219,609	\$ 57,595	\$ 836,759	\$ (52,022)	\$ 416	\$ 1,062,357	

See accompanying notes to the condensed consolidated financial statements.

**Condensed Consolidated Statements of Cash Flows**  
(Expressed in thousands of U.S. dollars)  
(Unaudited)

<b>Nine months ended September 30,</b>	<b>2022</b>	<b>2021</b>
Cash provided by (used in):		
Operating activities:		
Net income	\$ 274,436	\$ 121,277
Adjustments for items not affecting cash:		
Depreciation and amortization	72,813	64,912
Share-based payments expense	31,396	23,306
Deferred income tax expense	7,887	2,228
Unrealized foreign exchange (gain) loss	(5,340)	(98)
Gain on disposition of property, plant and equipment	(170,499)	(1,311)
Loss on redemption of the 2021 Notes	4,792	—
Amortization of debt issuance costs	3,104	2,155
Amortization of right-of-use assets	13,929	9,458
Change in fair value of derivatives	(1,263)	—
Other, net	2,824	2,253
Net changes in operating assets and liabilities	29,827	79,938
Net cash provided by operating activities	<u>263,906</u>	<u>304,118</u>
Investing activities:		
Acquisitions, net of cash acquired	(63)	728
Property, plant and equipment additions	(26,279)	(6,984)
Proceeds on disposition of property, plant and equipment	165,190	1,667
Intangible asset additions	(28,225)	(25,601)
Issuance of loans receivable	(7,027)	(2,622)
Repayment of loans receivable	4,744	436
Net cash provided by (used in) investing activities	<u>108,340</u>	<u>(32,376)</u>
Financing activities:		
Dividends paid to stockholders	(85,284)	(76,144)
Acquisition of remaining interest in NCI	—	(5,556)
Dividends paid to NCI	—	(104)
Proceeds from exercise of options and share option plans	5,763	13,915
Payment of withholding taxes on issuance of shares	(3,860)	(9,160)
Net increase (decrease) in short-term debt	(4,176)	(9,271)
Repayment of long-term debt	(1,094,926)	(5,328)
Debt issue costs	(3,644)	(3,163)
Repayment of finance lease obligations	(7,877)	(8,445)
Net cash used in financing activities	<u>(1,194,004)</u>	<u>(103,256)</u>
Effect of changes in foreign currency rates on cash, cash equivalents, and restricted cash	(25,620)	(7,027)
(Decrease) Increase	(847,378)	161,459
Beginning of period	1,362,452	306,895
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 515,074</u>	<u>\$ 468,354</u>

See accompanying notes to the condensed consolidated financial statements.

## **1. General information**

Ritchie Bros. Auctioneers Incorporated and its subsidiaries (collectively referred to as the “Company”, “Ritchie Bros.”, “we”, “us”, or “our”) provide a marketplace for insights, services and transaction solutions for commercial assets. The Company offers its customers end-to-end transaction solutions for used commercial and other durable assets through its omnichannel platform, which includes auctions, online marketplaces, listing services, and private brokerage services. The Company also offers a wide array of value-added services connected to commercial assets as well as asset management software and data as a service solutions to help customers make more accurate and reliable business decisions. Ritchie Bros. Auctioneers Incorporated is a company incorporated in Canada under the Canada Business Corporations Act, whose shares are publicly traded on the New York Stock Exchange (“NYSE”) and the Toronto Stock Exchange (“TSX”).

## **2. Significant accounting policies**

### **(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, 2021, included in the Company’s Annual Report on Form 10-K, filed with the Securities and Exchange Commission (“SEC”). These unaudited condensed consolidated interim financial statements follow the same accounting policies and methods of application as our most recent annual audited consolidated financial statements except as described in Note 2(b) “New and amended accounting standards and accounting policies”. 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.

Unless otherwise indicated, all amounts in the following tables are in thousands except share and per share amounts.

On February 24, 2022, the geopolitical situation in Eastern Europe intensified with Russia’s invasion of Ukraine, sharply affecting economic and global financial markets. Subsequent economic sanctions of Russia have exacerbated ongoing economic challenges, including issues such as rising inflation, increasing fuel costs and global supply chain disruption. The Company does not have any direct or significant operations in Russia or Ukraine, or any material operations in neighboring countries and only has limited number of direct customers in the effected region. The extent of the ongoing impacts of the conflict on our operational and financial performance, the impact of higher fuel costs globally adding to inflationary pressures, including our ability to execute on our business strategies and initiatives and sustain our operations in Europe and globally, will depend on future developments, including the continued involvement of military activity and sanctions imposed with Russia’s invasion of Ukraine. Given the evolving nature of the crisis, the Company cannot currently reasonably estimate the impacts of the conflict on its business operations, results of operations, cash flows or financial performance.

### ***Reclassification***

Certain amounts in the prior period financial statements have been reclassified from selling, general and administrative expenses to costs of services for certain employee costs related to equipment inspections to conform to the presentation of the current period financial statements.

## 2. Significant accounting policies (continued)

### (b) New and amended accounting standards and accounting policies

#### *New accounting policies*

##### *Sale and leaseback*

The transfer of the asset shall not be accounted for as a sale if the leaseback would be classified as a finance lease or a sales-type lease. For sale and leaseback transactions, the Company applies the requirements of ASC 606 *Revenue from Contracts with Customers* to determine whether the transfer of the asset should be accounted for as a sale and applies ASC 842 *Leases* when accounting for the sale and leaseback transactions. If the transfer of the asset is a sale, the Company derecognizes the underlying asset and recognizes the gain on sale of property, plant and equipment. The Company recognizes a lease obligation arising from the leaseback and the corresponding ROU asset. If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Company will make adjustments to measure the sale proceeds at fair value. Any below-market terms are accounted for as a prepayment of lease payments and any above-market terms are accounted for as additional financing provided by the buyer-lessor. If the transaction does not qualify for sale and leaseback accounting treatment, and control of the asset has not transferred, then the asset is not derecognized, and no gain or loss is recorded as the transaction is accounted for as a financing transaction.

##### *New and amended accounting standards*

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The update primarily addresses the accounting for contract assets and contract liabilities from revenue contracts with customers acquired in a business combination. The update requires that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606 - *Revenue from Contracts with Customers*, whereas prior to the adoption of the update, contract assets acquired and contract liabilities assumed in a business combination were recognized at fair value on the acquisition date. The amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption of the amendments is permitted, including adoption in an interim period. An entity that early adopts in an interim period should apply the amendments (1) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and (2) prospectively to all business combinations that occur on or after the date of initial application. The Company has early adopted the update as of October 1, 2021 and therefore has applied the amendments to all acquisitions completed since January 1, 2021, which includes only the acquisition of SmartEquip, which was completed on November 2, 2021.

## 3. 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 and judgments during the nine months ended September 30, 2022 were made in accounting for the completed sale and leaseback transaction of our Bolton property (Note 15 & Note 21). The Company determined the following estimates in calculating the gain on sale: the present value of market rental payments of the Bolton property sold, the expected lease term in the leaseback arrangement and the Company's incremental borrowing rate based on information available at the commencement date of the lease.

#### 4. Seasonality

The Company's operations are both seasonal and event driven. Revenue tends to be the highest during the second and fourth calendar quarters as the Company generally conducts more auctions during these quarters. Volumes tend to also be lower during the third quarter, as supply of used equipment is lower as it is actively being used and not available for sale. Late December through mid-February and mid-July through August are traditionally less active periods.

#### 5. Business combinations

##### (a) SmartEquip acquisition

On November 2, 2021, the Company acquired all of the issued and outstanding common shares of SmartEquip for a total cash purchase price of \$173.7 million. During the first quarter of 2022, the Company finalized the net working capital adjustment under the purchase agreement and increased the purchase price by \$0.1 million, resulting in a total purchase price of \$173.8 million.

SmartEquip is an innovative technology platform that supports customers' management of the equipment lifecycle and integrates parts procurement with both original equipment manufacturers and dealers.

The acquisition was accounted for in accordance with ASC 805, *Business Combinations*. The following table summarizes the preliminary allocation of the purchase price to the fair value of assets acquired and liabilities assumed.

##### *SmartEquip purchase price allocation*

Purchase price	\$	173,806
Assets acquired:		
Cash and cash equivalents		2,039
Trade and other receivables		2,926
Other current assets		486
Property, plant and equipment		120
Other non-current assets		75
Deferred tax assets		5,098
Intangible assets		71,700
Liabilities assumed:		
Trade and other liabilities		1,239
Deferred revenue		3,565
Other non-current liabilities		119
Deferred tax liabilities		18,178
Fair value of identifiable net assets acquired		59,343
Goodwill acquired on acquisition	\$	114,463

The deferred tax assets are presented net of a valuation allowance of \$5.8 million.

The following table summarizes the fair values of the identifiable intangible assets acquired:

Asset	Fair value at acquisition	Weighted average amortization period
Customer relationships	\$ 50,700	4 - 15 years
Software and technology assets	18,900	7 years
Trade names and trademarks	1,000	3 years
Backlog	1,100	2 years
Total	\$ 71,700	11.3 years

## 5. Business combinations (continued)

### *SmartEquip purchase price allocation (continued)*

The amounts included in the SmartEquip provisional purchase price allocation are preliminary in nature and are subject to adjustment as additional information is obtained about the facts and circumstances that existed at the date of the acquisition. The final determination of the fair values of certain assets and liabilities will be completed within the measurement period of up to one year from the acquisition date. During the quarter ended September 30, 2022, the Company decreased the deferred tax asset acquired by \$3.8 million to \$5.1 million, with a corresponding adjustment to goodwill, as a result of additional information obtained about the facts and circumstances that existed at the date of the acquisition.

### **Goodwill**

Goodwill has been assigned and allocated to “Other” for segmented information purposes and is based on an analysis of the fair value of net assets acquired. Goodwill relates to benefits expected from the acquisition of SmartEquip’s business, its assembled workforce and associated technical expertise, as well as anticipated synergies from applying the Company’s auction expertise and transactional capabilities to SmartEquip’s existing customer base. The transaction is considered a non-taxable business combination and the goodwill is not deductible for tax purposes.

### **Transactions recognized separately from the acquisition of assets and assumptions of liabilities**

At the date of acquisition, the Company issued 63,971 common shares to certain previous shareholders of SmartEquip in return for their continuing employment service. The common shares are expected to vest one third on each anniversary date of the acquisition over a three-year period as continuing employment services are provided to the Company. At the date of acquisition, the Company estimated that it will recognize a total fair value of \$4.4 million of share-based continuing employment costs in acquisition-related costs over the vesting period, with an increase to additional paid-in capital, subject to continuing employment of those individuals. As and when the common shares vest, the Company will recognize the fair value of the issued common shares from additional paid-in capital to share capital (Note 19).

During the quarter ended September 30, 2022, the Company recorded \$0.8 million of acquisition-related costs, of which \$0.7 million related to share-based continuing employment costs.

### **(b) Euro Auctions acquisition**

On August 9, 2021, the Company entered into a Sale and Purchase Agreement (“SPA”) pursuant to which it agreed to purchase Euro Auctions Limited, William Keys & Sons Holdings Limited, Equipment & Plant Services Ltd, and Equipment Sales Ltd. (collectively, “Euro Auctions”), each being a private limited company incorporated in Northern Ireland (the “Euro Auctions Acquisition”).

Under the terms of the SPA, the Company was to acquire all of the outstanding shares of Euro Auctions from their existing shareholders for approximately £775.0 million (approximately \$1.02 billion) cash consideration, to be paid on closing. On April 29, 2022, the Company made a decision to discontinue the Phase 2 review by the United Kingdom’s Competition and Markets Authority (“CMA”). The SPA automatically terminated on June 28, 2022. In addition, in April 2022, the Company terminated, without cost, its deal contingent forward currency contracts (Note 13) and on May 4, 2022, redeemed all of the 2021 Notes (Note 17) at a redemption price equal to 100% of the original offering price of the notes, plus accrued and unpaid interest.

## 6. 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 onsite auctions, its online auctions and marketplaces, and its brokerage service;
- Other includes the results of Ritchie Bros. Financial Services ("RBFS"), Rouse, Mascus online services, SmartEquip, and the results from various value-added services and make-ready activities, including the Company's equipment refurbishment services, and Ritchie Bros. Logistical Services ("RB Logistics").

	Three months ended September 30, 2022			Nine months ended September 30, 2022		
	A&M	Other	Consolidated	A&M	Other	Consolidated
Service revenue:						
Commissions	\$ 108,238	\$ —	\$ 108,238	\$ 361,016	\$ —	\$ 361,016
Fees	85,689	52,769	138,458	268,906	148,137	417,043
Total service revenue	193,927	52,769	246,696	629,922	148,137	778,059
Inventory sales revenue	164,783	—	164,783	511,887	—	511,887
Total revenue	\$ 358,710	\$ 52,769	\$ 411,479	\$ 1,141,809	\$ 148,137	\$ 1,289,946
Costs of services	24,601	16,920	41,521	79,160	46,415	125,575
Cost of inventory sold	147,253	—	147,253	455,006	—	455,006
Selling, general and administrative	116,337	16,856	133,193	350,684	53,393	404,077
Segment profit	\$ 70,519	\$ 18,993	\$ 89,512	\$ 256,959	\$ 48,329	\$ 305,288
Acquisition-related costs			2,031			15,067
Depreciation and amortization			24,290			72,813
Foreign exchange gain			(430)			(752)
Total operating expenses			\$ 347,858			\$ 1,071,786
Gain on disposition of property, plant and equipment			333			170,499
Operating income			\$ 63,954			\$ 388,659
Interest expense			(9,199)			(48,348)
Change in fair value of derivatives			—			1,263
Other income, net			2,866			5,426
Income tax expense			(14,697)			(72,564)
Net income			\$ 42,924			\$ 274,436

	Three months ended September 30, 2021			Nine months ended September 30, 2021		
	A&M	Other	Consolidated	A&M	Other	Consolidated
Service revenue:						
Commissions	\$ 110,275	\$ —	\$ 110,275	\$ 343,584	\$ —	\$ 343,584
Fees	68,607	35,311	103,918	220,037	109,350	329,387
Total service revenue	178,882	35,311	214,193	563,621	109,350	672,971
Inventory sales revenue	115,489	—	115,489	384,627	—	384,627
Total revenue	\$ 294,371	\$ 35,311	\$ 329,682	\$ 948,248	\$ 109,350	\$ 1,057,598
Costs of services	22,728	12,380	35,108	72,208	42,067	114,275
Cost of inventory sold	102,993	—	102,993	344,763	—	344,763
Selling, general and administrative	94,203	12,305	106,508	296,199	34,108	330,307
Segment profit	\$ 74,447	\$ 10,626	\$ 85,073	\$ 235,078	\$ 33,175	\$ 268,253
Acquisition-related costs			10,255			16,226
Depreciation and amortization			21,907			64,912
Foreign exchange loss			360			788
Total operating expenses			\$ 277,131			\$ 871,271
Gain on disposition of property, plant and equipment			1,068			1,311
Operating income			\$ 53,619			\$ 187,638
Interest expense			(8,807)			(26,620)
Other income, net			602			2,800
Income tax expense			(13,057)			(42,541)
Net income			\$ 32,357			\$ 121,277

## 6. Segmented information (continued)

The Chief Operating Decision Maker does not evaluate the performance of the Company's operating segments or assess allocation of resources based on segment assets and liabilities, nor does the Company classify liabilities on a segmented basis.

The Company's geographic breakdown of total revenue and location is as follows:

	<b>United</b>					
Total revenue for the three months ended:	<b>States</b>	<b>Canada</b>	<b>Australia</b>	<b>Europe</b>	<b>Other</b>	<b>Consolidated</b>
September 30, 2022	\$ 258,117	\$ 74,866	\$ 37,225	\$ 27,149	\$ 14,122	\$ 411,479
September 30, 2021	173,137	55,925	46,488	40,620	13,512	329,682
Total revenue for the nine months ended:						
September 30, 2022	\$ 721,533	\$ 283,565	\$ 138,034	\$ 101,958	\$ 44,856	\$ 1,289,946
September 30, 2021	563,942	203,093	110,565	143,263	36,735	1,057,598

## 7. Revenue

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

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Service revenue:				
Commissions	\$ 108,238	\$ 110,275	\$ 361,016	\$ 343,584
Fees	138,458	103,918	417,043	329,387
	246,696	214,193	778,059	672,971
Inventory sales revenue	164,783	115,489	511,887	384,627
	<u>\$ 411,479</u>	<u>\$ 329,682</u>	<u>\$ 1,289,946</u>	<u>\$ 1,057,598</u>

## 8. Operating expenses

### Costs of services

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Employee compensation expenses	\$ 16,912	\$ 14,253	\$ 49,878	\$ 43,736
Ancillary and logistical service expenses	14,418	11,433	38,619	38,521
Travel, advertising and promotion expenses	4,351	3,205	16,722	13,022
Other costs of services	3,280	3,721	10,917	11,495
Buildings, facilities and technology expenses	2,560	2,496	9,439	7,501
	<u>\$ 41,521</u>	<u>\$ 35,108</u>	<u>\$ 125,575</u>	<u>\$ 114,275</u>

### Selling, general and administrative

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Wages, salaries and benefits	\$ 80,532	\$ 64,810	\$ 242,319	\$ 209,699
Share-based compensation expense	8,806	5,627	27,833	16,945
Buildings, facilities and technology expenses	22,176	18,213	65,588	53,035
Travel, advertising and promotion expenses	9,528	6,541	26,894	18,527
Professional fees	6,946	6,323	24,309	16,557
Other selling, general and administrative	5,205	4,994	17,134	15,544
	<u>\$ 133,193</u>	<u>\$ 106,508</u>	<u>\$ 404,077</u>	<u>\$ 330,307</u>

### Acquisition-related costs

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
SmartEquip:				
Share-based continuing employment costs	\$ 674	\$ —	\$ 1,999	\$ —
Other acquisition-related costs	90	1,101	607	1,101
Euro Auctions:				
Other acquisition-related costs	25	6,133	8,037	6,133
Rouse:				
Share-based continuing employment costs	1,189	2,707	4,077	7,938
Other acquisition-related costs	53	314	347	1,054
	<u>\$ 2,031</u>	<u>\$ 10,255</u>	<u>\$ 15,067</u>	<u>\$ 16,226</u>

### Depreciation and amortization

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Depreciation	\$ 7,825	\$ 8,127	\$ 23,461	\$ 24,309
Amortization	16,465	13,780	49,352	40,603
	<u>\$ 24,290</u>	<u>\$ 21,907</u>	<u>\$ 72,813</u>	<u>\$ 64,912</u>

## 9. 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 September 30, 2022, income tax expense was \$14.7 million, compared to an income tax expense of \$13.1 million for the same period in 2021. The effective tax rate was 26% in the third quarter of 2022, compared to 29% in the third quarter of 2021.

The effective tax rate decreased in the three months ended September 30, 2022 compared to the three months ended September 30, 2021 primarily due to a lower estimate of non-deductible expenses and lower income taxes related to tax uncertainties. Partially offsetting this decrease was higher estimated expenses related to the U.S. tax reform of 2017.

For the nine months ended September 30, 2022, income tax expense was \$72.6 million, compared to an income tax expense of \$42.5 million for the same period in 2021. The effective tax rate was 21% for the nine months ended September 30, 2022, compared to 26% for the nine months ended September 30, 2021.

The effective tax rate decreased in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to the non-taxable gain portion on the sale of a parcel of land including all buildings in Bolton, Ontario and a decrease in the estimate of non-deductible expenses. Partially offsetting this decrease was a higher estimate of income taxed in jurisdictions with higher tax rates and a lower tax deduction for performance share units ("PSUs") and restricted share units ("RSUs") expenses that exceeded the related compensation expense.

The Canada Revenue Agency ("CRA") is currently conducting an audit of the Company's 2014, 2015, 2017, 2018 and 2019 taxation years. Management believes that the Company is in full compliance with Canadian tax laws. However, the CRA could challenge the manner in which the Company has filed its income tax returns and reported its income. In the event that the CRA challenges the manner in which the Company has filed its tax returns and reported its income, the Company will have the option to appeal any such decision. If the Company is not successful, however, the CRA audit could potentially result in additional income taxes, penalties, and interest, which could have a material adverse effect on the Company.

## 10. 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 weighted average 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 EPS 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.

	Three months ended September 30, 2022			Nine months ended September 30, 2022		
	Net income attributable to stockholders	WA number of shares	Per share amount	Net income attributable to stockholders	WA number of shares	Per share amount
Basic	\$ 42,909	110,838,237	\$ 0.39	\$ 274,368	110,750,021	\$ 2.48
Effect of dilutive securities:						
Share units	—	641,284	—	—	496,273	(0.01)
Stock options	—	730,014	(0.01)	—	611,801	(0.02)
Diluted	\$ 42,909	112,209,535	\$ 0.38	\$ 274,368	111,858,095	\$ 2.45

	Three months ended September 30, 2021			Nine months ended September 30, 2021		
	Net income attributable to stockholders	WA number of shares	Per share amount	Net income attributable to stockholders	WA number of shares	Per share amount
Basic	\$ 32,336	110,410,172	\$ 0.29	\$ 121,273	110,233,851	\$ 1.10
Effect of dilutive securities:						
Share units	—	324,218	—	—	408,574	—
Stock options	—	657,006	—	—	690,822	(0.01)
Diluted	\$ 32,336	111,391,396	\$ 0.29	\$ 121,273	111,333,247	\$ 1.09

## 11. Supplemental cash flow information

### Net changes in operating assets and liabilities

<b>Nine months ended September 30,</b>	<b>2022</b>	<b>2021</b>
Trade and other receivables	\$ (175,690)	\$ (120,160)
Inventory	(7,057)	16,926
Advances against auction contracts	(2,554)	3,132
Prepaid expenses and deposits	19,268	1,671
Income taxes receivable	12,456	(4,923)
Auction proceeds payable	163,265	217,423
Trade and other liabilities	(9,160)	(13,684)
Income taxes payable	32,511	(12,278)
Operating lease obligation	(9,757)	(9,000)
Other	6,545	831
Net changes in operating assets and liabilities	<u>\$ 29,827</u>	<u>\$ 79,938</u>

### Interest and tax payments

<b>Nine months ended September 30,</b>	<b>2022</b>	<b>2021</b>
Interest paid, net of interest capitalized	\$ 35,956	\$ 31,054
Interest received	3,242	1,010
Net income taxes paid	19,164	56,016
Non-cash purchase of property, plant and equipment under finance lease	7,543	6,173
Non-cash right of use assets obtained in exchange for new lease obligations	19,895	13,545

### Cash, cash equivalents, and restricted cash

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Cash and cash equivalents	\$ 438,771	\$ 326,113
Restricted cash		
Current	76,303	102,875
Non-current	—	933,464
Cash, cash equivalents, and restricted cash	<u>\$ 515,074</u>	<u>\$ 1,362,452</u>

## 12. 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.

## 12. Fair value measurement (continued)

	Category	September 30, 2022		December 31, 2021	
		Carrying amount	Fair value	Carrying amount	Fair value
<i>Fair values disclosed:</i>					
Cash and cash equivalents	Level 1	\$ 438,771	\$ 438,771	\$ 326,113	\$ 326,113
Restricted cash	Level 1	76,303	76,303	1,036,339	1,036,339
Loans receivable	Level 2	9,024	8,853	7,267	7,267
Derivative financial assets					
Deal contingent forward contract	Level 3	—	—	751	751
Derivative financial liabilities					
Deal contingent forward contract	Level 3	—	—	2,005	2,005
Forward currency contracts	Level 2	772	772	—	—
Short-term debt	Level 2	1,630	1,630	6,147	6,147
Long-term debt					
Senior unsecured notes (as defined in Note 17)					
2016 Notes	Level 1	495,880	490,000	494,531	508,125
2021 USD Notes	Level 2	—	—	598,052	625,125
2021 CAD Notes	Level 2	—	—	332,337	339,100
Term loan	Level 2	84,513	84,848	92,821	93,226
Long-term revolver loans	Level 2	56,951	57,000	219,699	219,772

The carrying value of the Company's cash and cash equivalents, restricted cash, trade and other receivables, advances against auction contracts, loan receivables maturing within a year, auction proceeds payable, trade and other payables, and short-term debt approximate their fair values due to their short terms to maturity. The fair value of the loan receivables with a maturity date greater than one year are determined by estimating discounted cash flows using market rates. The carrying values of the term loan and long-term revolver loan, before deduction of deferred debt issue costs, approximate their fair values as the interest rates on the loans is short-term in nature. The fair values of the senior unsecured notes are determined by reference to a quoted market price of the notes traded in an over-the-counter broker market.

The Company holds derivative financial assets and liabilities that are required to be measured at fair value on a recurring basis. The fair values of the deal contingent forward contracts were determined using a probability weighted mark to market valuation and observable Level 2 inputs, including foreign currency spot exchange rates, forward pricing curves, and an unobservable Level 3 input, the expected date of settlement. The change in the valuation of the derivatives due to the range of possible expected settlement dates was not significant to the financial statements. The fair value of the forward currency contracts are determined using observable Level 2 inputs, including foreign currency spot exchange rates and forward pricing curves. The fair value considers the credit risk of the Company and its counterparties.

## 13. Derivative financial instruments

The Company's derivative financial instruments are accounted for as derivatives under ASC 815, *Derivatives and Hedging*, and are classified in other current assets and other current liabilities. The Company has not applied hedge accounting to these instruments.

The Company enters into forward currency contracts from time to time to manage its exposure to foreign currency exchange rate fluctuations recognized by its subsidiaries on specific monetary loan receivables. During the three and nine month periods ended September 30, 2022, a loss of \$4.3 million and \$5.6 million respectively was recognized for the change in fair values of the forward currency contracts within foreign exchange loss (gain) in the consolidated income statement.

The Company also held two deal contingent foreign exchange forward currency contracts to manage its exposure to foreign currency exchange rate fluctuations against the U.S. and Canadian dollar on £343.0 million of the £775.0 million purchase consideration for the proposed Euro Auctions Acquisition. The notional amounts of the derivative instruments were £216.0 million (U.S. dollar forward) and £127.0 million (Canadian dollar forward). These forward contracts were terminated by the Company in April 2022 at no cost.

#### 14. Trade and other 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 September 30, 2022:

Balance at December 31, 2021	\$	(4,396)
Current period provision		(413)
Write-offs charged against the allowance		846
Balance at September 30, 2022	\$	<u>(3,963)</u>

#### 15. Other current assets

	September 30, 2022	December 31, 2021
Advances against auction contracts	\$ 5,580	\$ 4,102
Assets held for sale	323	17,538
Prepaid expenses and deposits	21,609	41,955
Derivative financial asset	—	751
	\$ 27,512	\$ 64,346

##### *Assets held for sale*

Balance at December 31, 2021	\$	17,538
Reclassified from (to) property, plant and equipment		(10,148)
Disposal		(7,067)
Balance at September 30, 2022	\$	<u>323</u>

On March 17, 2022, the Company completed the sale and leaseback of a parcel of land including all buildings, in Bolton, Ontario, for a total sale consideration of \$208.2 million Canadian dollars (approximately \$165 million) net of closing and transaction costs, and recognized a gain on disposition of property, plant and equipment of \$169.1 million. The net book value of the Bolton property was \$7.1 million. The payments for the lease were not considered to be at market rates given an initial two year rent free period and, accordingly, the Company adjusted the sales proceeds and the gain to fair value. The Bolton property continues to be used for auction operations under the operating leaseback agreement until the completion of the acquisition and development of a replacement property located in Amaranth, Ontario. (Note 21)

At December 31, 2021, the Company also classified vacant land in Casa Grande, Arizona with a net book value of \$10.5 million as an asset held for sale. During the quarter ended June 30, 2022, the Company assessed that the property no longer met the asset held for sale criteria and therefore reclassified the net book value of the property to property, plant and equipment.

#### 16. Other non-current assets

	September 30, 2022	December 31, 2021
Right-of-use assets	\$ 116,566	\$ 114,414
Tax receivable	9,438	10,289
Loans receivable	6,082	—
Deferred debt issue costs	3,920	5,236
Other	11,894	12,565
	\$ 147,900	\$ 142,504

The Company recognized a right-of-use asset of \$16.6 million as a result of the sale and leaseback transaction on the Bolton property in March 2022 (Note 15 and 21). In June 2022, the Company also recognized a right-of-use asset of \$9.0 million as a result of a new lease signed on an auction site in Maltby, United Kingdom. On September 28, 2022, the Company completed the purchase of the Maltby property for \$13.5 million (12.6 million GBP) and as a result derecognized the right of use asset and recognized the asset in property, plant and equipment (Note 21).

## 16. Other non-current assets (continued)

### Loans receivable

At September 30, 2022, the Company participated in certain financing lending arrangements that are fully collateralized and secured by certain equipment. These financing lending arrangements have a term of one to four years. In the event of default under these agreements, the Company will take possession of the equipment as collateral to recover its loans receivable balance. The loans receivable balance at September 30, 2022 was \$9.0 million, of which \$2.9 million is recorded in trade and other receivables and \$6.1 million in non-current loans receivable (December 31, 2021: \$7.3 million, of which \$7.3 million was recorded in trade and other receivables and nil in non-current loans receivable). The expected credit loss allowance is not significant.

## 17. Debt

	<b>Carrying amount</b>	
	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Short-term debt	\$ 1,630	\$ 6,147
Long-term debt:		
Revolving facilities and delayed-draw term loan facility:		
Delayed-draw term loan denominated in Canadian dollars, secured, bearing interest at a weighted average rate of 4.56%, due in monthly installments of interest only, maturing in September 2026	84,848	93,283
Long-term revolver loan denominated in Canadian dollars, secured, bearing interest at a weighted average rate of 2.29%, due in monthly installments of interest only, maturing in September 2026	-	46,206
Long-term revolver loan denominated in Canadian dollars, secured, bearing interest at a weighted average rate of 2.29%, due in monthly installments of interest only, maturing in September 2026	-	56,492
Long-term revolver loan denominated in U.S. dollars, secured, bearing interest at a weighted average rate of 3.97%, due in monthly installments of interest only, maturing in September 2026	57,000	117,000
Less: unamortized debt issue costs	(384)	(463)
Senior unsecured notes:		
Bearing interest at 5.375% due in semi-annual installments, with the full amount of principal due in January 2025 (the "2016 Notes")	500,000	500,000
Less: unamortized debt issue costs	(4,120)	(5,469)
Bearing interest at 4.75% due in semi-annual installments, with the full amount of principal due in December 2031 (the "2021 USD Notes")	-	600,000
Less: unamortized debt issue costs	-	(1,948)
Bearing interest at 4.95% due in semi-annual installments, with the full amount of principal due in December 2029 (the "2021 CAD Notes")	-	333,464
Less: unamortized debt issue costs	-	(1,127)
Total long-term debt	<u>637,344</u>	<u>1,737,438</u>
Total debt	<u>\$ 638,974</u>	<u>\$ 1,743,585</u>
Long-term debt:		
Current portion	\$ 4,296	\$ 3,498
Non-current portion	633,048	1,733,940
Total long-term debt	<u>\$ 637,344</u>	<u>\$ 1,737,438</u>

At September 30, 2022, the Company had unused committed revolving credit facilities aggregating \$681.2 million that are available until September 2026 subject to certain covenant restrictions, unused uncommitted revolving credit facilities aggregating \$5.0 million that are available until October 2023, and unused uncommitted revolving credit facilities aggregating \$5.0 million with no maturity date. The Company was in compliance with all financial and other covenants applicable to the credit facilities at September 30, 2022.

## 17. Debt (continued)

### Short-term debt

Short-term debt is comprised of drawings in different currencies on the Company's committed revolving credit facilities and has a weighted average interest rate of 1.8% at September 30, 2022 (at December 31, 2021: 1.8%).

### Long-term debt

#### a) Revolving facilities and delayed-draw term loan facility

During 2016, the Company entered into a credit agreement with a syndicate of lenders. The credit agreement is comprised of multicurrency revolving facilities (the "Revolving Facilities") and a delayed-draw term loan facility (the "DDTL Facility", together with the Revolving Facilities, the "Facilities"). The credit agreement was most recently amended in September 2021, which, among other things (i) extended the maturity date of the Facilities from October 27, 2023 to September 21, 2026, (ii) increased the total size of the Facilities provided under the Credit Agreement to up to \$1.0 billion, including \$295.0 million of commitments under the DDTL Facility, (iii) reduced the applicable margin for base rate loans and LIBOR loans at each pricing tier level, (iv) reduced the applicable percentage per annum used to calculate the commitment fee in respect of the unused commitments under the Facilities at each pricing tier level, and (v) included customary provisions to provide for the eventual replacement of LIBOR as a benchmark interest rate.

Immediately prior to the amendment, the aggregate principal amount outstanding under the DDTL Facility was \$90.0 million (\$118.9 million Canadian dollars). In connection with the amendment, the Company refinanced that amount with the proceeds from a borrowing under the DDTL Facility. Under the terms of the amendment, there were no mandatory principal repayments of borrowings under the DDTL Facility until the earlier of when the remaining \$205.0 million is drawn or the third quarter of 2022. The Company did not draw on the remaining \$205.0 million before it expired on June 28, 2022 and, therefore, mandatory principal repayments began in the third quarter of 2022. The principal payments are subject to an annual amortization rate of 5%, payable in quarterly installments, with the balance payable at maturity. As a result of the expiry of the unused portion of the DDTL Facility in the second quarter of 2022, the Company wrote off \$0.7 million of deferred debt issuance costs included in non-current assets to interest expense.

At September 30, 2022, the Company had unamortized deferred debt issue costs relating to the Facilities of \$4.3 million.

#### b) Senior unsecured notes

##### 2016 Notes

On December 21, 2016, the Company completed the offering of \$500.0 million aggregate principal amount of 5.375% senior unsecured notes due January 15, 2025 (the "2016 Notes"). Interest on the 2016 Notes is payable semi-annually. The 2016 Notes are jointly and severally guaranteed on an unsecured basis, subject to certain exceptions, by certain of the Company's subsidiaries. IronPlanet, Rouse, SmartEquip, and certain of their respective subsidiaries were added as additional guarantors in connection with the acquisitions of IronPlanet, Rouse and SmartEquip, respectively.

##### 2021 Notes

On December 21, 2021, the Company completed the offering of two series of senior notes: (i) \$600.0 million aggregate principal amount of 4.750% senior notes due December 15, 2031 (the "2021 USD Notes") and (ii) \$425.0 million Canadian dollar aggregate principal amount of 4.950% senior notes due December 15, 2029 (the "2021 CAD Notes", and together with the 2021 USD Notes, the "2021 Notes").

The gross proceeds from the 2021 Notes offering together with certain additional amounts including prepaid interest were placed into escrow accounts and were expected to be held in escrow until the completion of the proposed Euro Auctions Acquisition. On May 4, 2022, the Company redeemed all of the 2021 Notes at a redemption price equal to 100% of the original offering price of the notes, plus accrued and unpaid interest. The Company was relieved of its obligations for the 2021 Notes upon redemption and therefore recognized the difference of \$4.8 million between the reacquisition price and the net carrying amount of the debt extinguished (which included unamortized deferred debt issuance costs) as a loss on redemption of the 2021 Notes in interest expense in the consolidated income statement during the second quarter of 2022.

## 18. Other non-current liabilities

	September 30, 2022	December 31, 2021
Operating lease liability	\$ 103,824	\$ 109,882
Tax payable	16,928	18,859
Finance lease liability	12,732	13,983
Other	3,744	4,536
	<u>\$ 137,228</u>	<u>\$ 147,260</u>

## 19. Equity and dividends

### Share capital

#### Common stock

Unlimited number of common shares, without par value.

#### Preferred stock

Unlimited number of senior preferred shares and junior preferred shares, without par value, issuable in series. All issued shares are fully paid. No preferred shares have been issued.

#### Shares issued for business combinations

The Company has issued the following common shares in connection with the acquisitions of Rouse and SmartEquip. These shares were issued to certain previous unitholders and shareholders of Rouse and SmartEquip, based on the fair market value of the Company's common shares at the acquisition date. The Company records share-based continuing employment costs in acquisition-related costs over the vesting period, with an increase to additional paid-in capital. The vesting of shares issued for business combinations is subject to continuing employment with the Company over various dates over a three year period from their respective acquisition dates. As and when the common shares vest, the Company will recognize the fair value of the issued common shares from additional paid-in capital to share capital.

	Rouse		SmartEquip		Total	
	Common shares issued	Fair value per common shares	Common shares issued	Fair value per common shares	Common shares issued	Weighted average fair value per common shares
Outstanding, December 31, 2021	189,665	\$ 71.09	63,971	\$ 68.39	253,636	\$ 70.41
Granted	—	—	—	—	—	—
Vested	(32,452)	71.09	—	—	(32,452)	71.09
Forfeited	—	—	—	—	—	—
Outstanding, September 30, 2022	<u>157,213</u>	<u>\$ 71.09</u>	<u>63,971</u>	<u>\$ 68.39</u>	<u>221,184</u>	<u>\$ 70.31</u>
Outstanding, December 31, 2020	312,193	\$ 71.09	—	\$ —	312,193	\$ 71.09
Granted	—	—	—	—	—	—
Vested	—	—	—	—	—	—
Forfeited	(55,510)	71.09	—	—	(55,510)	71.09
Outstanding, September 30, 2021	<u>256,683</u>	<u>\$ 71.09</u>	<u>—</u>	<u>\$ —</u>	<u>256,683</u>	<u>\$ 71.09</u>

In the three months ended September 30, 2022, the Company recognized \$0.3 million of share capital from additional paid-in capital for the portion of common shares previously issued in connection with the acquisition of Rouse that have vested as of September 30, 2022.

## 19. Equity and dividends (continued)

### *Shares issued for business combinations (continued)*

At September 30, 2022, the unrecognized share-based continuing employment cost was \$4.7 million (at September 30, 2021: \$9.2 million), which is expected to be recognized over a weighted average period of 1.2 years.

### *Change in non-controlling interest*

On September 13, 2021, the Company purchased the remaining 25% membership interest of Xcira, LLC, a Delaware limited liability company, for a purchase price of \$5.6 million. The transaction increased the Company's ownership interest in Xcira, LLC to 100%.

## **Dividends**

### *Declared and paid*

The Company declared and paid the following dividends during the nine months ended September 30, 2022 and 2021:

	<u>Declaration date</u>	<u>Dividend per share</u>	<u>Record date</u>	<u>Total dividends</u>	<u>Payment date</u>
Nine months ended September 30, 2022:					
Fourth quarter 2021	January 21, 2022	\$ 0.2500	February 11, 2022	\$ 27,659	March 4, 2022
First quarter 2022	May 6, 2022	0.2500	May 27, 2022	27,693	June 17, 2022
Second quarter 2022	August 3, 2022	0.2700	August 24, 2022	29,932	September 14, 2022
Nine months ended September 30, 2021:					
Fourth quarter 2020	January 22, 2021	\$ 0.2200	February 12, 2021	\$ 24,181	March 5, 2021
First quarter 2021	May 7, 2021	0.2200	May 26, 2021	24,279	June 16, 2021
Second quarter 2021	August 4, 2021	0.2500	August 25, 2021	27,607	September 15, 2021

### *Declared and undistributed*

Subsequent to September 30, 2022, the Company's Board of Directors declared a quarterly dividend of \$0.27 cents per common share, payable on December 14, 2022 to stockholders of record on November 23, 2022. This dividend payable has not been recognized as a liability in the consolidated financial statements. The payment of this dividend is expected to not have any tax consequences for the Company.

### **Foreign currency translation reserve**

Foreign currency translation adjustments within other comprehensive income include intra-entity foreign currency transactions that are of a long-term investment nature, which generated a net loss of \$10.2 million and \$19.6 million for the three and nine months ended September 30, 2022 (three and nine months ended 2021: net loss of \$3.3 million, and \$5.9 million) respectively.

## 20. Share-based payments

Share-based payments consist of the following compensation costs:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Selling, general and administrative:</b>				
Stock option compensation expense	\$ 3,249	\$ 2,133	\$ 8,871	\$ 5,903
Equity-classified share units	4,759	2,283	16,450	9,840
Liability-classified share units	108	527	427	(862)
Employee share purchase plan - employer contributions	690	684	2,085	2,064
	<u>8,806</u>	<u>5,627</u>	<u>27,833</u>	<u>16,945</u>
<b>Acquisition-related costs:</b>				
Share-based continuing employment costs	1,863	2,707	6,075	7,938
	<u>1,863</u>	<u>2,707</u>	<u>6,075</u>	<u>7,938</u>
	<u>\$ 10,669</u>	<u>\$ 8,334</u>	<u>\$ 33,908</u>	<u>\$ 24,883</u>

### Stock option plans

The Company has the following three stock option plans that provide for the award of stock options and premium-priced stock options to selected employees, directors, and officers of the Company: (i) Amended and Restated Stock Option Plan, (ii) IronPlanet 1999 Stock Plan, and (iii) IronPlanet 2015 Stock Plan.

Stock option activity for the nine months ended September 30, 2022 is presented below:

	Stock options				Premium-priced stock options			
	Common shares under option	WA exercise price	WA remaining contractual life (in years)	Aggregate intrinsic value	Common shares under option	WA exercise price	WA remaining contractual life (in years)	Aggregate intrinsic value
Outstanding, December 31, 2021	2,208,057	\$ 42.55	7.7	\$ 41,884	1,017,064	\$ 91.24	5.7	\$ —
Granted	697,536	58.14	—	—	119,157	91.37	—	—
Exercised	(155,694)	37.02	—	4,359	—	—	—	—
Forfeited	(20,662)	47.96	—	—	(17,789)	90.93	—	—
Outstanding, September 30, 2022	<u>2,729,237</u>	<u>\$ 46.81</u>	<u>7.6</u>	<u>\$ 43,405</u>	<u>1,118,432</u>	<u>\$ 91.26</u>	<u>4.9</u>	<u>\$ —</u>
Exercisable, September 30, 2022	<u>1,280,995</u>	<u>\$ 37.62</u>	<u>6.3</u>	<u>\$ 31,859</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>

### Stock options

The Company uses the Black Scholes option pricing model to fair value stock options. Significant assumptions used to estimate the fair value of stock options granted during the nine months ended September 30, 2022 and 2021 are presented in the following table on a weighted average basis:

Nine months ended September 30,	2022	2021
Risk free interest rate	2.2 %	0.5 %
Expected dividend yield	1.74 %	1.66 %
Expected lives of the stock options	4 years	4 years
Expected volatility	31.8 %	32.3 %

At September 30, 2022, the unrecognized stock-based compensation cost related to the non-vested stock options was \$9.4 million, which is expected to be recognized over a weighted average period of 2.2 years.

## 20. Share-based payments (continued)

### Premium-priced stock options

The Company also grants premium-priced stock options to the senior executives with exercise prices above the fair market value of the Company's common shares on grant dates. The premium-priced stock options vest and become exercisable upon the third anniversary of their grant date. The premium-priced stock options granted in August and November 2021 expire on the sixth anniversary of their grant date, and those granted in June 2022 expire in August 2027 to coincide with the expiry of the August 2021 grant. The fair values of the premium-priced stock options were calculated on the grant date using a Monte Carlo simulation model. The weighted average estimated grant date fair value of premium-priced options during the three month period ended June 30, 2022 was \$8.00 per option. There were no premium-priced stock options granted during the three month period ended September 30, 2022.

The significant assumptions used to estimate the fair values were as follows:

Nine months ended September 30,	2022	2021
Risk free interest rate	3.0 %	1.00 %
Expected dividend yield	1.63 %	1.66 %
Expected lives of the stock options	4 years	5 years
Expected volatility	30.2 %	30.6 %

At September 30, 2022, the unrecognized stock-based compensation cost related to the premium-priced stock options was \$6.4 million, which is expected to be recognized over a weighted average period of 2.1 years.

### Share unit plans

Share unit activity for the nine months ended September 30, 2022 is presented below:

	Equity-classified awards						Liability-classified awards	
	PSUs		PSUs with Market Conditions		RSUs		DSUs	
	Number	WA grant date fair value	Number	WA grant date fair value	Number	WA grant date fair value	Number	WA grant date fair value
Outstanding at December 31, 2021	523,618	\$ 45.90	88,305	\$ 65.45	79,112	\$ 54.96	156,589	\$ 35.28
Granted	230,122	58.68	14,574	69.92	34,135	57.70	16,182	59.57
Vested and settled	(93,241)	36.42	—	—	(27,850)	44.02	—	—
Forfeited	(3,503)	50.97	—	—	(6,070)	59.67	—	—
Outstanding at September 30, 2022	656,996	\$ 51.70	102,879	\$ 66.08	79,327	\$ 59.62	172,771	\$ 37.55

The total market value of liability-classified share units vested and released during the first nine months of 2022 was nil (at December 31, 2021: nil).

### Senior executive and employee PSU plans

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, and/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 by issuance of shares. With respect to settling in shares, the Company has the option to either (i) arrange for the purchase of shares on the open market on the employee's behalf based on the cash value that otherwise would be delivered, or (ii) issue a number of shares equal to the number of units that vest.

Fair values of equity-classified PSUs are estimated on grant date using the market close price of the Company's common shares listed on the NYSE, as these are not subject to market vesting conditions.

At September 30, 2022, the unrecognized share unit expense related to equity-classified PSU's was \$17.8 million, which is expected to be recognized over a weighted average period of 1.9 years.

## 20. Share-based payments (continued)

### *PSUs with market conditions*

The Company also grants PSUs to senior executives with a market condition where vesting is conditional upon the total stockholder return performance of the Company's stock relative to the performance of a peer group over a three year performance period from the date of grant. The PSUs granted in August and November 2021 have a three year performance period and the PSUs granted in June 2022 have approximately a 2 year performance period to coincide with the remaining performance period of the August 2021 grant. The fair value per PSU granted during the three month period ended June 30, 2022 of \$69.92 was calculated on the grant date using the Monte Carlo simulation model which takes into consideration a required post-vesting holding period of one year with a discount value of \$5.34 per PSU. The discount was calculated using the Chaffe Protective Put Method and an effective tax rate of 35%. There were no PSUs with market conditions granted in the three month period ended September 30, 2022.

The significant assumptions used to estimate the fair value are presented in the following table:

<b>Nine months ended September 30,</b>	<b>2022</b>	<b>2021</b>
Risk free interest rate	2.7 %	0.5 %
Expected dividend yield	1.63 %	1.63 %
Expected lives of the PSUs	2 years	3 years
Expected volatility	33.4 %	31.0 %
Average expected volatility of comparable companies	34.4 %	38.6 %

At September 30, 2022, the unrecognized share unit expense related to equity-classified PSUs with market conditions was \$4.5 million, which is expected to be recognized over a weighted average period of 1.9 years.

### *RSUs*

The Company has restricted share unit plans (RSU plans) that are equity-settled and not subject to market vesting conditions.

Fair values of RSUs are estimated on grant date using the market close price of the Company's common shares listed on the NYSE.

At September 30, 2022, the unrecognized share unit expense related to equity-classified RSUs was \$2.1 million, which is expected to be recognized over a weighted average period of 1.5 years.

### *DSUs*

The Company has deferred share unit plans (DSU plans) that are cash-settled and not subject to market vesting conditions.

Fair values of deferred share units ("DSUs") are estimated on grant date and at each reporting date using the market close price of the Company's common shares listed on the NYSE. 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.

At September 30, 2022, the Company had a total share unit liability of \$11.3 million (at December 31, 2021: \$10.1 million) 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.

## 21. Leases

The Company enters into commercial leases for various auctions sites and offices, the majority of which are non-cancellable, and additional operating leases for computer equipment, motor vehicles and small office equipment. The majority of the Company's operating leases have a fixed term with a remaining life between one month and 18 years, with renewal options included in the contracts. The leases have varying contract terms, escalation clauses and renewal options.

The Company also enters into finance lease arrangements for certain vehicles, computer and yard equipment and office furniture, the majority of these leases have a fixed term with a remaining life of one month to six years with renewal options included in the contracts.

On March 17, 2022, the Company completed the sale and leaseback of its Bolton property, a parcel of land including all buildings, in Bolton, Ontario (Note 15). The Company intends to lease the Bolton property for a period of 28 months until such time that the replacement property is available for the relocation of the Company's operations. The lease has an initial rent-free period of two years and an option to renew the lease for two additional one-year periods, during which time the lease is cancellable at one month's notice. Upon completion of the sale, the Company recorded a \$16.6 million ROU asset representing the right-of-use of the Bolton property for the estimated lease term and a \$4.5 million long term lease liability representing the obligation to make lease payments arising from the operating lease at the end of the initial two-year period.

On June 30, 2022, the Company also recorded \$9.0 million in ROU asset and a long term lease liability relating to a lease signed on its Maltby auction site in the United Kingdom. On September 28, 2022, the Company completed the purchase of the Maltby property for a purchase price of \$13.5 million and as a result derecognized the ROU asset and long term lease liability (Note 16).

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Operating lease cost	\$ 6,135	\$ 4,592	\$ 17,075	\$ 13,584
Finance lease cost				
Amortization of leased assets	2,457	2,693	7,705	8,096
Interest on lease liabilities	202	196	562	622
Short-term lease cost	2,818	2,845	9,182	7,428
Sublease income	—	(15)	—	(45)
	<u>\$ 11,612</u>	<u>\$ 10,311</u>	<u>\$ 34,524</u>	<u>\$ 29,685</u>

## 22. Commitments

### Commitment for inventory purchases

The Company was awarded two new contracts with the United States Government Defense Logistics Agency (the "DLA") on April 1, 2021. The new contracts (one for the Eastern portion of the United States and one for the Western portion of the United States) cover both surplus non-rolling and rolling stock. Both contracts commenced on June 1, 2021 and have a base term of two years with three one-year renewal options.

During the first two years of the contracts, the Company is committed to purchase on a combined basis up to either: (i) 600,000 assets, or (ii) assets with an expected minimum value of up to \$77.0 million; whichever is less. At September 30, 2022, the Company has purchased 328,685 assets with a total value of \$71.6 million pursuant to the two year period of this contract, which commenced on June 1, 2021.

## 23. 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.

## 23. Contingencies (continued)

### 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 September 30, 2022, there were \$41.2 million of assets guaranteed under contract, of which 80% is expected to be sold prior to December 31, 2022, with the remainder to be sold by December 31, 2023 (at December 31, 2021: \$43.5 million of which 61% was expected to be sold prior to the end of March 31, 2022 with the remainder to be sold by December 31, 2022).

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

## 24. Subsequent event

On November 7, 2022, we entered into an Agreement and Plan of Merger and Reorganization (the "Merger Agreement") with IAA, Inc. ("IAA"), Ritchie Bros. Holdings Inc., a Washington corporation and a direct and indirect wholly owned subsidiary of the Company ("US Holdings"), Impala Merger Sub I, LLC, a Delaware limited liability company and a direct wholly owned subsidiary of US Holdings ("Merger Sub 1"), and Impala Merger Sub II, LLC, a Delaware limited liability company and a direct wholly owned subsidiary of US Holdings ("Merger Sub 2"), providing for our acquisition of IAA for total consideration as of the date hereof of approximately \$7.3 billion, including the assumption of approximately \$1.0 billion of net debt. Upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub 1 will merge with and into IAA, with IAA surviving the merger as a direct wholly owned subsidiary of US Holdings (the "First Merger") and, immediately following the consummation of the First Merger, IAA will merge with and into Merger Sub 2, with Merger Sub 2 surviving the merger as a direct wholly owned subsidiary of US Holdings (together with the First Merger, the "Mergers"). At the effective time of the First Merger (the "Effective Time"), each share of IAA's common stock issued and outstanding immediately prior to the Effective Time (excluding any shares held by IAA as treasury stock or owned by the Company, US Holdings, Merger Sub 1 or Merger Sub 2 immediately prior to the Effective Time and shares of IAA's common stock owned by stockholders of IAA who have validly demanded and not withdrawn appraisal rights in accordance with applicable law) will be converted automatically into the right to receive: (A) 0.5804 of a common share of the Company and (B) \$10.00 in cash, without interest. At the Effective Time, all outstanding IAA equity awards (other than those that vest in accordance with their terms upon the First Merger) will be assumed by the Company. Upon completion of the Mergers, the Company's stockholders will own approximately 59% of the common shares of the combined company on a fully diluted basis and IAA stockholders will own approximately 41%.

Consummation of the Mergers is subject to the satisfaction of various conditions, including, among other things, (1) the approval of the issuance of our common shares by the affirmative vote of a majority of the votes cast by holders of our outstanding common shares, (2) the adoption of the Merger Agreement by holders of a majority of the outstanding shares of IAA's common stock, (3) certain approvals, clearances and/or expirations of waiting periods under applicable antitrust laws and (4) other customary closing conditions. The transaction is expected to close in the first half of 2023 subject to the satisfaction or waiver of these conditions.

In connection with the proposed Mergers, on November 7, 2022, the Company entered into (A) a commitment letter (the "Commitment Letter") with Goldman Sachs Bank USA (acting through such of its affiliates or branches as it deems appropriate, "GS Bank"), Bank of America, N.A. ("BANA"), BofA Securities, Inc. (or any of its designated affiliates, "BofA Securities", and, together with BANA, "BofA"), Royal Bank of Canada ("Royal Bank"), RBC Capital Markets, LLC ("RBCCM", and, together with Royal Bank through such of its affiliates and branches as it deems appropriate, "RBC", and, together with GS Bank and BofA, each, an "Initial Lender", and collectively, the "Initial Lenders"), pursuant to which the Initial Lenders are committing to provide (i) a backstop senior secured revolving credit facility in an aggregate principal amount of up to \$750 million (the "Backstop Revolving Facility") and (ii) a senior secured 364-day bridge loan facility in an aggregate principal amount of up to \$2.8 billion (the "Bridge Loan Facility," and together with the Backstop Revolving Facility, the "Facilities") and (B) an engagement letter (the "Engagement Letter") with Goldman, Sachs & Co. (acting through such of its affiliates or branches as it deems appropriate), BofA Securities and RBCCM (collectively, the "Investment Banks"), pursuant to which the Investment Banks agree, subject to the terms and conditions set forth in the Engagement Letter, to serve as lead arrangers and bookrunners in connection with an amendment to the Company's existing credit facility, a Term Loan A facility, a Term Loan B facility and/or any other loan facilities, credit facilities, commercial bank financings or other bank or institutional facilities, and as lead placement agents for, or lead underwriters or initial purchasers of, any senior secured or unsecured notes and any and all secured or unsecured debt, equity or equity-linked securities of the Company or any of its subsidiaries, in each case, incurred or issued to finance the proposed Mergers or refinance any amounts borrowed under the Bridge Loan Facility.

## 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 Quarterly Report on Form 10-Q, 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, and include, among others, statements relating to:

- our future strategy, objectives, targets, projections and performance;
- potential growth and market opportunities;
- potential future mergers and acquisitions, including the proposed acquisition of IAA, Inc. ("IAA")
- our expected indebtedness in connection with the proposed acquisition of IAA
- our ability to integrate potential acquisitions;
- the impact of our new initiatives, services, investments, and acquisitions on us and our customers;
- our future capital expenditures and returns on those expenditures; and
- financing available to us from our credit facilities or other sources, our ability to refinance borrowings, and the sufficiency of our working capital to meet our financial needs.

While we have not described all potential risks related to our business and owning our common shares, the important factors discussed in "Part I, Item 1A: Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2021, and in "Part II, Item 1A: Risk Factors" of our subsequent quarterly report on Form 10-Q, which are available on our website at <https://investor.ritchiebros.com>, on EDGAR at [www.sec.gov](http://www.sec.gov), or on SEDAR at [www.sedar.com](http://www.sedar.com), are among those that we consider may affect our performance materially or could cause our actual financial and operational results to differ significantly from our expectations. Except as required by applicable securities law and regulations of relevant securities exchanges, we do not intend to update publicly any forward-looking statements, even if our expectations have been affected by new information, future events or other developments.

We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles ("US GAAP"). Except for Gross Transaction Value ("GTV")<sup>1</sup>, which is a measure of operational performance and not a measure of financial performance, liquidity, or revenue, the amounts discussed below are based on our consolidated financial statements.

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 of 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 Management's Discussion and Analysis of Financial Condition and Results of Operations (Please see pages 54-56).

### 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 technologies and disposition of commercial assets, selling \$5.5 billion of used equipment and other assets during 2021. Our expertise, unprecedented global reach, market insights, and trusted portfolio of brands provide us with a unique position within the used equipment market.

---

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

Through our unreserved auctions, online marketplaces, listings, and private brokerage services, we sell a broad range of primarily used commercial and industrial assets as well as government surplus. Construction and commercial transportation assets comprise the majority of the equipment sold by GTV dollar value. 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 construction, commercial transportation, agriculture, energy, and natural resources.

We also provide our customers with a wide array of value added services aligned with our growth strategy to create a global marketplace for used equipment services and solutions. Our other services include access to equipment financing, asset appraisals and inspections, online equipment listing, logistical services, and ancillary services such as equipment refurbishment. We offer our customers asset technology solutions to manage the end to end disposition process of their assets and provide market data intelligence to make more accurate and reliable business decisions. Additionally, we offer our customers an innovative technology platform that supports equipment lifecycle management and parts procurement integration with both original equipment manufacturers and dealers, as well as software as a service platform for end-to-end parts procurement and digital catalogs and diagrams.

We operate globally with locations in 12 countries, including the United States, Canada, the Netherlands, Australia, and the United Arab Emirates, and maintain a presence in 48 countries where customers are able to sell from their own yards. In addition, we employ more than 2,700 full-time employees worldwide.

### **Proposed Acquisition of IAA**

On November 7, 2022, we entered into an Agreement and Plan of Merger and Reorganization (the “Merger Agreement”) with IAA, Ritchie Bros. Holdings Inc., a Washington corporation and a direct and indirect wholly owned subsidiary of the Company (“US Holdings”), Impala Merger Sub I, LLC, a Delaware limited liability company and a direct wholly owned subsidiary of US Holdings (“Merger Sub 1”), and Impala Merger Sub II, LLC, a Delaware limited liability company and a direct wholly owned subsidiary of US Holdings (“Merger Sub 2”), providing for our acquisition of IAA for total consideration as of the date hereof of approximately \$7.3 billion, including the assumption of approximately \$1.0 billion of net debt. Upon completion of the acquisition, our stockholders will own approximately 59% of the common shares of the combined company on a fully diluted basis and IAA’s stockholders will own approximately 41%. During the three months and nine months ended September 30, 2022, we incurred a total of \$0.9 million and \$1.4 million, respectively, in acquisition-related costs related to the proposed acquisition, recognized in selling, general and administrative expenses. If completed, the acquisition of IAA will have a significant impact on our results of operations, financial condition and liquidity. For additional information regarding the proposed acquisition with IAA, see Note 24 to our condensed consolidated financial statements included in Part I – Item I of this report. Unless otherwise specifically noted, the following discussion and analysis of our results of operations and liquidity and capital resources focuses on our existing operations exclusive of the impact of the proposed acquisition of IAA, and any forward-looking statements contained herein do not take into account the impact of such proposed acquisition.

In connection with the proposed Mergers, on November 7, 2022, we entered into (A) a commitment letter (the “Commitment Letter”) with Goldman Sachs Bank USA (acting through such of its affiliates or branches as it deems appropriate, “GS Bank”), Bank of America, N.A. (“BANA”), BofA Securities, Inc. (or any of its designated affiliates, “BofA Securities”, and, together with BANA, “BofA”), Royal Bank of Canada (“Royal Bank”), RBC Capital Markets, LLC (“RBCCM”, and, together with Royal Bank through such of its affiliates and branches as it deems appropriate, “RBC”, and, together with GS Bank and BofA, each, an “Initial Lender”, and collectively, the “Initial Lenders”), pursuant to which the Initial Lenders are committing to provide (i) a backstop senior secured revolving credit facility in an aggregate principal amount of up to \$750 million (the “Backstop Revolving Facility”) and (ii) a senior secured 364-day bridge loan facility in an aggregate principal amount of up to \$2.8 billion (the “Bridge Loan Facility,” and together with the Backstop Revolving Facility, the “Facilities”) and (B) an engagement letter (the “Engagement Letter”) with Goldman, Sachs & Co. (acting through such of its affiliates or branches as it deems appropriate), BofA Securities and RBCCM (collectively, the “Investment Banks”), pursuant to which the Investment Banks agree, subject to the terms and conditions set forth in the Engagement Letter, to serve as lead arrangers and bookrunners in connection with an amendment to our existing credit facility, a Term Loan A facility, a Term Loan B facility and/or any other loan facilities, credit facilities, commercial bank financings or other bank or institutional facilities, and as lead placement agents for, or lead underwriters or initial purchasers of, any senior secured or unsecured

notes and any and all secured or unsecured debt, equity or equity-linked securities of the Company or any of our subsidiaries, in each case, incurred or issued to finance the proposed Mergers or refinance any amounts borrowed under the Bridge Loan Facility.

### **Impact of COVID-19 to our Business**

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic (“COVID-19”).

In response, we transitioned all of our traditional live onsite auctions to online bidding utilizing our existing online bidding technology. As restrictions continue to ease, the health and welfare of our employees, customers and suppliers continues to be a top priority and we continue to operate with precautionary measures in place, as appropriate.

In the first nine months of 2022, our ability to move equipment to and from our auction sites and across borders has improved as travel restrictions and quarantine requirements continue to lift, but with certain countries within Asia still continuing to experience lockdowns. In the United States and Canada, COVID-19 has not materially impacted our ability to operate our businesses and move equipment. Globally, we continue to see heightened shipping, fuel and freight costs, partly attributable to the Russia-Ukraine conflict, combined with extended lead times, making equipment transportation more costly and challenging, negatively impacting the buying and selling behaviors of our customers. Additionally, COVID-19, in combination with various macro economic factors, impacted the supply chains of new equipment production, which in turn negatively affected the supply of used equipment being sold throughout our regions, most predominantly in North America.

For a further discussion of risks to our business and operating results arising from COVID-19, please refer to the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2021.

### **Impact of Russia-Ukraine conflict on our Business**

On February 24, 2022, the geopolitical situation in Eastern Europe intensified with Russia’s invasion of Ukraine, sharply affecting economic and global financial markets. Subsequent economic sanctions on Russia have exacerbated ongoing economic challenges, including issues such as rising inflation, disruption to global supply chains and increases in hydrocarbon prices.

The rise in transportation costs, in part driven by higher fuel costs, has globally impacted both costs and timing of import and export of commercial assets between countries and has contributed to higher costs in operating our equipment. Further, increases in natural gas prices in Europe may also lead to a slowdown in its economy and as a result may negatively impact the import and export of equipment in Eastern Europe, which could affect our operations.

We do not have any operations in Russia or Ukraine, or any material operations in neighboring countries and only have a limited number of direct customers in the effected region. However, we cannot estimate the extent of the ongoing impacts of the conflict, other unforeseen conditions, future developments, including the continued evolvement of military activity and sanctions imposed with Russia’s invasion of Ukraine, which could adversely affect the domestic economy generally and our business specifically.

## **Impact of Inflation on our Business**

We began to see inflation impacting our business operations in early 2022 with the rise of costs in freight, fuel, supplies, non-durable goods and consumables at our yards and in our operations. Travel costs have also increased partly due to higher travel activity post COVID-19 as well as due to inflation. In addition, we have seen an increase in labor costs with the labor market remaining fairly strong. We expect inflationary pressures to continue to drive up costs for the remainder of 2022.

The United States Federal Reserve is also continuing to raise interest rates, which has contributed to a stronger U.S. dollar, which has had an unfavorable impact on the translation of some of our operations to a U.S. dollar presentation currency, particularly in Canada, Europe and Australia.

## **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, 2021, which is available on our website at [www.rbauction.com](http://www.rbauction.com), on EDGAR at [www.sec.gov](http://www.sec.gov), or on SEDAR at [www.sedar.com](http://www.sedar.com).

### ***Contract options***

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

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

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

### ***Value-added services***

We also provide a wide array of value-added services to make the process of selling and buying equipment convenient for our customers, including repair and refurbishment services, financial services through Ritchie Bros. Financial Services ("RBFS"), logistical services through RB Logistics, end-to-end asset management and disposition services through RB Asset Solutions, as well as other services such as appraisals, insights, data intelligence and performance benchmarking solutions. We offer equipment listing services under the RitchieList brand in North America and Mascus brand in Europe to make private selling more efficient and safe for customers, including a secure transaction management service, complete with invoicing. We also provide an innovative technology platform that supports customers' management of the equipment lifecycle and integrates parts procurement with both original equipment manufacturers and dealers.

### ***Seasonality***

Our GTV and resulting A&M segment revenue are affected by the seasonal nature of our business. GTV and our A&M segment revenue 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.

### ***Revenue Mix Fluctuations***

Our revenue is comprised of service revenue and inventory sales revenue. Service revenue from A&M segment activities includes commissions earned at our auctions, online marketplaces, and private brokerage services, and various auction-related fees, including listing and buyer transaction fees. We also recognize revenue from our Other Services segment as fees within 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 inventory sales revenue can have a significant impact on revenue growth percentages.

## Performance Overview

Net income attributable to stockholders increased 33% to \$42.9 million, compared to \$32.3 million in the third quarter of 2021. Diluted earnings per share (“EPS”) attributable to stockholders increased 31% to \$0.38 per share in the third quarter of 2022 as compared to \$0.29 per share in the third quarter of 2021. Diluted adjusted EPS attributable to stockholders increased 18% to \$0.53 per share in the third quarter of 2022 compared to \$0.45 per share in the third quarter of 2021.

For the third quarter of 2022 as compared to the third quarter of 2021:

### Consolidated results:

- Total revenue increased 25% to \$411.5 million
  - Service revenue increased 15% to \$246.7 million
  - Inventory sales revenue increased 43% to \$164.8 million
- Operating income increased 19% to \$64.0 million
- Adjusted operating income increased 13% to \$85.4 million
- Net income increased 33% to \$42.9 million
- Adjusted earnings before interest, taxes, depreciation and amortization (“adjusted EBITDA”) increased 12% to \$102.5 million
- Cash provided by operating activities decreased 13% to \$263.9 million for the first nine months of 2022
- Cash on hand at the end of the third quarter of 2022 was \$515.1 million, of which \$438.8 million was unrestricted

### Auctions & Marketplaces segment results:

- GTV increased 7% to \$1.4 billion and increased 10% when excluding the impact of foreign exchange
- A&M total revenue increased 22% to \$358.7 million
  - Service revenue increased 8% to \$193.9 million
  - Inventory sales revenue increased 43% to \$164.8 million

### Other Services segment results:

- Other Services total revenue increased 49% to \$52.8 million
  - RBFS revenue increased 47% to \$16.6 million
  - SmartEquip revenue of \$5.2 million was recognized in the third quarter of 2022, which was its third full quarter since its acquisition in November 2021

In addition, the total number of organizations activated on our business inventory management system (“IMS”), a gateway into our marketplace, increased by 42% as compared to the second quarter of 2022.

## Results of Operations

### Financial overview

(in U.S. dollars \$000's, except EPS and percentages)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change 2022 over 2021	2022	2021	% Change 2022 over 2021
Service revenue:						
Commissions	\$ 108,238	\$ 110,275	(2)%	\$ 361,016	\$ 343,584	5 %
Fees	138,458	103,918	33 %	417,043	329,387	27 %
Total service revenue	246,696	214,193	15 %	778,059	672,971	16 %
Inventory sales revenue	164,783	115,489	43 %	511,887	384,627	33 %
Total revenue	411,479	329,682	25 %	1,289,946	1,057,598	22 %
Costs of services	41,521	35,108	18 %	125,575	114,275	10 %
Cost of inventory sold	147,253	102,993	43 %	455,006	344,763	32 %
Selling, general and administrative	133,193	106,508	25 %	404,077	330,307	22 %
Total operating expenses	347,858	277,131	26 %	1,071,786	871,271	23 %
Gain on disposition of property, plant and equipment	333	1,068	(69)%	170,499	1,311	12,905 %
Operating income	63,954	53,619	19 %	388,659	187,638	107 %
Operating income as a % of total revenue	15.5 %	16.3 %	(80)bps	30.1 %	17.7 %	1,240 bps
Adjusted operating income	85,442	75,735	13 %	302,281	240,483	26 %
Adjusted operating income as a % of total revenue	20.8 %	23.0 %	(220)bps	23.4 %	22.7 %	70 bps
Net income attributable to stockholders	42,909	32,336	33 %	274,368	121,273	126 %
Adjusted net income attributable to stockholders	59,853	49,780	20 %	193,889	160,320	21 %
Adjusted EBITDA	102,544	91,247	12 %	343,692	287,121	20 %
Diluted earnings per share attributable to stockholders	\$ 0.38	\$ 0.29	31 %	\$ 2.45	\$ 1.09	125 %
Diluted adjusted earnings per share attributable to stockholders	\$ 0.53	\$ 0.45	18 %	\$ 1.73	\$ 1.44	20 %
Effective tax rate	25.5 %	28.8 %	(330)bps	20.9 %	26.0 %	(510)bps
Total GTV	\$ 1,358,242	\$ 1,270,258	7 %	\$ 4,481,622	\$ 4,072,439	10 %
Service GTV	1,193,459	1,154,769	3 %	3,969,735	3,687,812	8 %
Service revenue as a % of total GTV	18.2 %	16.9 %	130 bps	17.4 %	16.5 %	90 bps
Inventory GTV	164,783	115,489	43 %	511,887	384,627	33 %
Inventory return	\$ 17,530	\$ 12,496	40 %	\$ 56,881	\$ 39,864	43 %
Inventory rate	10.6 %	10.8 %	(20)bps	11.1 %	10.4 %	70 bps
Service GTV as a % of total GTV - Mix	87.9 %	90.9 %	(300)bps	88.6 %	90.6 %	(200)bps
Inventory sales revenue as a % of total GTV - Mix	12.1 %	9.1 %	300 bps	11.4 %	9.4 %	200 bps

Certain amounts in the prior period have been reclassified from selling, general and administrative expenses to costs of services, refer to note 2(a) of our consolidated financial statements.

### Total GTV

Total GTV increased 7% to \$1.4 billion in the third quarter of 2022 and increased 10% to \$4.5 billion in the first nine months of 2022. Total GTV increased 10% in the third quarter of 2022 and increased 13% in the first nine months of 2022, when excluding the impact of foreign exchange.

In the third quarter of 2022, GTV increased year-over-year driven by a rebound in lot volumes and continued strong pricing, partially offset by an unfavourable impact of foreign exchange and an unfavorable asset mix. In the United States, GTV increased due to strong execution by our strategic accounts team, particularly in the finance and rental sectors, as well as positive performances at several of our auctions. These increases were partially offset by the non-repeat of a large dispersal of \$99 million of pipeline construction equipment in a single-owner auction event in the third quarter of 2021. In Canada, we saw strong year-over-year performances at our auctions and agricultural events and higher GTV generated by RBFS via PurchaseSafe which provides escrow services for private brokered transactions. These increases were partially offset by the delay of our Truro, Nova Scotia auction to Q4 2022 as a result of the impact of Hurricane Fiona. In International, the decrease in GTV volume was due to an unfavourable foreign exchange impact. Excluding foreign exchange, we saw positive performance in Europe with higher activity, partially due to the shift of an auction from the second quarter of 2022 to the third quarter of 2022.

For the first nine months of 2022, total GTV increased 10% driven by strong pricing, aided by inflation, and higher lot counts, partially offset by an unfavourable impact of foreign exchange and an unfavorable asset mix. We saw growth across all regions. In Canada, GTV growth was driven by strong performances across several agricultural and auction events, strong execution by our Canadian strategic accounts teams, higher volume from RBFS, and a higher number of inventory packages sold. In the United States, GTV volume increased primarily from positive performances across numerous auctions and strong results from our strategic accounts. We also saw growth from several of our strategic initiatives, including from our local yards and investments made by our sales teams in Texas. These increases were partially offset by the non-repeat of a large dispersal pipeline construction equipment package as discussed above. In International, Australia has driven significant growth from improved market conditions and the lifting of border restrictions, as well as from a higher mix of inventory packages and strong performances at several auction events, including a new national auction, a new event in Corio, Victoria and at two agricultural events. These increases were partially offset by softer performances in Europe and an unfavorable foreign exchange impact.

## **Total revenue**

Total revenue increased 25% to \$411.5 million in the third quarter of 2022, with total service revenue increasing by 15% and inventory sales revenue increasing by 43%. Total revenue increased 22% to \$1.3 billion for the first nine months of 2022, with total service revenue increasing by 16% and inventory sales revenue increasing by 33%.

Foreign currency fluctuation also had an unfavourable impact on our revenue primarily due to the depreciation of the Euro, the Australian dollar and the Canadian dollar relative to the U.S. dollar.

## **Service Revenue**

Service revenue is comprised of commissions that are earned on service GTV, and fees which are earned on total GTV, as well as from our other services such as Ancillary Services, RBFS, Rouse, Mascus, RB Logistics, RB Asset Solutions and SmartEquip. In the third quarter of 2022, Service GTV increased 3% to \$1.2 billion mainly in Canada, and for the first nine months increased 8% to \$4.0 billion across all regions with increases most notably in Canada and the United States.

In the third quarter of 2022, total service revenue increased 15% with fees revenue increasing 33%, while commissions decreased by 2%. Fees revenue increased 33% with buyer fees growing faster than the GTV increase of 7%, reflecting the increase in certain buyer fee rates implemented in early 2022. Fees revenue also increased due to higher RBFS revenues on higher funded volumes, the inclusion of fees from SmartEquip since its acquisition on November 2, 2021 and higher revenue from our Rouse business. In addition, we also saw higher fees as a result of increased activity from our Ancillary services. Commissions revenue decreased 2%, despite a 3% increase in service GTV, primarily driven by lower straight commission rate performances in the United States attributable to a higher volume sold from our strategic accounts. Canada also saw lower commissions revenue from a higher proportion of GTV contributed by RBFS from facilitating financing arrangements. These decreases were partially offset by improved guarantee rate performances in the United States.

For the first nine months of 2022, total service revenue increased 16% with fees revenue increasing 27% and commissions revenue increasing 5%. Fees revenue increased 27% with buyer fees growing faster than GTV of 10% for the same reasons as discussed above. Commissions revenue increased 5%, slightly less than the 8% increase in service GTV, primarily for the same reason as discussed above, as well as the non-repeat of several high performing guarantee contracts in Canada.

## **Inventory Sales Revenue**

Inventory sales revenue as a percentage of total GTV increased to 12.1% from 9.1% in the third quarter of 2022 and increased to 11.4% from 9.4% in the first nine months of 2022.

In the third quarter of 2022, inventory sales revenue increased 43% predominantly in the United States, with an increased number of inventory packages sourced from our strategic accounts group, primarily in the finance and rental sectors. We also saw increased volumes selling through our auctions as well as through our GovPlanet non-rolling and rolling stock contracts. In Canada, we saw improved year-over-year performances from inventory sold mainly in the construction sector. Partially offsetting these increases was softer year-over-year performances in International, primarily from the non-repeat of several inventory contracts in Europe and lower private treaty transactions in Australia.

For the first nine months of 2022, inventory sales revenue increased 33% predominantly in the United States partly due to a large dispersal of construction equipment in our Phoenix, Arizona auction as well as for the same reasons as discussed above. In addition, in

both the United States and Canada, we saw and a higher dollar amount of inventory sold across a number of our auctions. In International, we saw positive performances in Australia, offset by a lower volume of inventory sold in Europe.

### **Underwritten Contracts**

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, as a percentage of total GTV, which include inventory and guarantee contracts, decreased to 17.0% in the third quarter of 2022 compared to 22.5% in the third quarter of 2021. For the first nine months of 2022, our underwritten contracts were 18.5% compared to 18.3% in the prior period.

### **Operating Income**

For the third quarter of 2022, operating income increased 19% or \$10.3 million to \$64.0 million, primarily due to flow through from higher revenues partially offset by higher selling, general and administrative expenses. Selling, general and administrative expenses increased due to higher short-term incentive expenses driven by strong performance. Wages, salaries and benefits expenses also increased as a result of higher headcount to accelerate our growth initiatives and our transformational journey to become a trusted global marketplace and in part due to the acquisition of SmartEquip. Building, facilities and technology costs also increased mainly due to the amortization of the right-of-use asset of the Bolton property from the sale and lease back arrangement completed in the first quarter of 2022, as well as higher costs as we shift to cloud-based solutions to improve customer experiences. We also saw higher travel, advertising and promotion costs from increased activity and higher marketing costs to promote new initiatives. Share-based payments also increased as a result of higher expense relating to share-based awards issued to senior executives, and higher expense from the premium-priced options and PSU's with market conditions granted in late 2021. Inflation also resulted in higher personnel and travel costs.

For the first nine months of 2022, operating income increased 107% due to the inclusion of a gain of \$169.1 million on property, plant and equipment from the sale of the Bolton property in the first quarter of 2022. Operating income increased 17%, when excluding the impact of the gain, primarily due to flow through from higher revenue, partially offset by higher selling, general and administrative expenses mainly due the same reasons as discussed above, as well as higher professional fees primarily driven by our investment in new modern architecture to support our future marketplace and services strategy.

### **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 the third quarter of 2022, income tax expense increased 13% to \$14.7 million and our effective tax rate decreased 330 bps to 25.5% as compared to the third quarter of 2021. For the first nine months 2022, income tax expense increased 71% to \$72.6 million and our effective tax rate decreased 510 bps to 20.9% as compared to the first nine months of 2021.

The decrease in the effective tax rate for the third quarter of 2022 compared to the third quarter of 2021 was primarily due to a lower estimate of non-deductible expenses and lower income taxes related to tax uncertainties. Partially offsetting this decrease was higher estimated expenses related to the U.S. tax reform of 2017.

The decrease in the effective tax rate for the first nine months of 2022 compared to the first nine months of 2021 was primarily due to the non-taxable gain portion on the sale of the Bolton property and a lower estimate of non-deductible expenses. Partially offsetting this decrease was a higher estimate of income taxed in jurisdictions with higher tax rates and a lower tax deduction for PSU and RSU share unit expenses that exceeded the related compensation expense.

### **Net income**

In the third quarter of 2022, net income attributable to stockholders increased 33% to \$42.9 million primarily due to higher operating income, higher interest income from a rise in interest rates, and a lower effective tax rate as discussed above. For the first nine months of 2022, net income attributable to stockholders increased 126% to \$274.4 million, primarily for the same reasons as noted above, partially offset by a higher interest expense from our 2021 Notes which included a loss on redemption.

## Diluted EPS

Diluted EPS attributable to stockholders increased 31% to \$0.38 per share for the third quarter of 2022 and increased 125% to \$2.45 per share for the first nine months of 2022, in line with net income.

## 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:

<b>Value of one local currency to U.S. dollar</b>	<b>2022</b>	<b>2021</b>	<b>% Change 2022 over 2021</b>
<b>Period-end exchange rate - September 30,</b>			
Canadian dollar	0.7227	0.7886	(8)%
Euro	0.9801	1.1581	(15)%
Australian dollar	0.6398	0.7231	(12)%
<b>Average exchange rate - Three months ended September 30,</b>			
Canadian dollar	0.7666	0.7942	(3)%
Euro	1.0081	1.1793	(15)%
Australian dollar	0.6837	0.7351	(7)%
<b>Average exchange rate - Nine months ended September 30,</b>			
Canadian dollar	0.7798	0.7992	(2)%
Euro	1.0655	1.1966	(11)%
Australian dollar	0.7075	0.7592	(7)%

For the third quarter of 2022, 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, Australian dollar and Canadian dollar exchange rates relative to the U.S. dollar.

## Key Operating Metrics

We regularly review a number of metrics, including the following key operating metrics, to evaluate our business, measure our performance, identify trends affecting our business, and make operating decisions. We believe these key operating metrics are useful to investors because management uses these metrics to assess the growth of our business and the effectiveness of our operational strategies.

We define our key operating metrics as follows:

**Gross Transaction Value:** Represents total proceeds from all items sold at the Company's auctions and online marketplaces. GTV is not a measure of financial performance, liquidity, or revenue, and is not presented in the Company's consolidated financial statements.

**Inventory return:** Inventory sales revenue less cost of inventory sold.

**Inventory rate:** Inventory return divided by inventory sales revenue.

**Inventory Management System activations:** Number of organizations activated on IMS. An organization is considered activated on IMS when a customer has signed an annual multi-channel contract and has an IMS instance setup to allow for equipment to be directed to one of our transaction solutions digitally.

**Bids per lots sold:** Each bid is completed electronically through our real-time online bidding system. A lot is defined as a single asset to be sold, or a group of assets bundled for sale as one unit. This metric calculates the total number of bids received for a lot divided by the total number of lots sold. GovPlanet business metrics are excluded from this metric as management reviews industrial equipment auction metrics excluding GovPlanet.

**Total lots sold:** A single asset to be sold, or a group of assets bundled for sale as one unit. Low value assets are sometimes bundled into a single lot, collectively referred to as "small value lots". GovPlanet business metrics are excluded from this metric as management reviews industrial equipment auction metrics excluding GovPlanet.

## Non-GAAP Measures

As part of management's non-GAAP measures, we may eliminate the financial impact of certain items that we do not consider to be part of our normal operating results.

Adjusted net income attributed to stockholders increased 20% to \$59.9 million in the third quarter of 2022 and increased 21% to \$193.9 million for the first nine months of 2022.

Diluted adjusted EPS attributable to stockholders increased 18% to \$0.53 per share in the third quarter of 2022 and increased 20% to \$1.73 per share for the first nine months of 2022.

Adjusted EBITDA increased 12% to \$102.5 million in the third quarter of 2022 and increased 20% to \$343.7 million for the first nine months of 2022.

Debt at the end of the third quarter of 2022 represented 2.1 times net income at and for the twelve months ended September 30, 2022, compared to debt at the third quarter of 2021, which represented 3.8 times net income at and for the twelve months ended September 30, 2021. The adjusted net debt/adjusted EBITDA was 0.5 times at and for the twelve months ended September 30, 2022, compared to 0.7 times at and for the twelve months ended September 30, 2021.

## 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, 2021.

(in U.S. dollars \$000's)	Three months ended September 30, 2022			Nine months ended September 30, 2022		
	A&M	Other	Consolidated	A&M	Other	Consolidated
Service revenue:						
Commissions	\$ 108,238	\$ —	\$ 108,238	\$ 361,016	\$ —	\$ 361,016
Fees	85,689	52,769	138,458	268,906	148,137	417,043
Total service revenue	193,927	52,769	246,696	629,922	148,137	778,059
Inventory sales revenue	164,783	—	164,783	511,887	—	511,887
Total revenue	\$ 358,710	\$ 52,769	\$ 411,479	\$ 1,141,809	\$ 148,137	\$ 1,289,946
Ancillary and logistical service expenses	—	14,417	14,417	—	38,618	38,618
Other costs of services	24,601	2,503	27,104	79,160	7,797	86,957
Cost of inventory sold	147,253	—	147,253	455,006	—	455,006
Selling, general and administrative	116,337	16,856	133,193	350,684	53,393	404,077
Segment profit	\$ 70,519	\$ 18,993	\$ 89,512	\$ 256,959	\$ 48,329	\$ 305,288

(in U.S. dollars \$000's)	Three months ended September 30, 2021			Nine months ended September 30, 2021		
	A&M	Other	Consolidated	A&M	Other	Consolidated
Service revenue:						
Commissions	\$ 110,275	\$ —	\$ 110,275	\$ 343,584	\$ —	\$ 343,584
Fees	68,607	35,311	103,918	220,037	109,350	329,387
Total service revenue	178,882	35,311	214,193	563,621	109,350	672,971
Inventory sales revenue	115,489	—	115,489	384,627	—	384,627
Total revenue	\$ 294,371	\$ 35,311	\$ 329,682	\$ 948,248	\$ 109,350	\$ 1,057,598
Ancillary and logistical service expenses	—	11,433	11,433	—	38,521	38,521
Other costs of services	22,728	947	23,675	72,208	3,546	75,754
Cost of inventory sold	102,993	—	102,993	344,763	—	344,763
Selling, general and administrative	94,203	12,305	106,508	296,199	34,108	330,307
Segment profit	\$ 74,447	\$ 10,626	\$ 85,073	\$ 235,078	\$ 33,175	\$ 268,253

## Auctions and Marketplaces Segment

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

(in U.S. dollars \$000's, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
			2022 over 2021			2022 over 2021
Service revenue:						
Commissions	\$ 108,238	\$ 110,275	(2)%	\$ 361,016	\$ 343,584	5 %
Fees	85,689	68,607	25 %	268,906	220,037	22 %
Total service revenue	193,927	178,882	8 %	629,922	563,621	12 %
Inventory sales revenue	164,783	115,489	43 %	511,887	384,627	33 %
Total revenue	\$ 358,710	\$ 294,371	22 %	\$ 1,141,809	\$ 948,248	20 %
A&M service revenue as a % of total A&M revenue	54.1 %	60.8 %	(670)bps	55.2 %	59.4 %	(420)bps
Inventory sales revenue as a % of total A&M revenue	45.9 %	39.2 %	670 bps	44.8 %	40.6 %	420 bps
Costs of services	24,601	22,728	8 %	79,160	72,208	10 %
Cost of inventory sold	147,253	102,993	43 %	455,006	344,763	32 %
Selling, general and administrative	116,337	94,203	23 %	350,684	296,199	18 %
A&M segment expenses	288,191	219,924	31 %	884,850	713,170	24 %
Cost of inventory sold as a % of A&M expenses	51.1 %	46.8 %	430 bps	51.4 %	48.3 %	310 bps
A&M segment profit	\$ 70,519	\$ 74,447	(5)%	\$ 256,959	\$ 235,078	9 %
Total GTV	1,358,242	1,270,258	7 %	4,481,622	4,072,439	10 %
A&M service revenue as a % of total GTV - Rate	14.3 %	14.1 %	20 bps	14.1 %	13.8 %	30 bps

## Gross Transaction Value

In response to COVID-19, in March 2020, we transitioned all our traditional onsite auctions to online bidding utilizing our existing online bidding technology and simultaneously ceased almost all public attendance at our live auction theaters. Our core online auction channels (IronPlanet.com, GovPlanet.com, Marketplace-E) continued to operate as usual. In 2022, we began to return to live in-person onsite bidding at some of our auction events, offering both onsite and online bidding.

To facilitate the auction process, we have continued to enable equipment drop off at our physical yards, with buyers able to conduct inspections pre-auction and collect equipment post auction. In addition, we utilized Timed Auctioned Lots (“TAL”) solutions for nearly all our agricultural and International auctions and at several of our United States auction sites.

We believe it is meaningful to consider revenue in relation to GTV. Total GTV and Service GTV by geographical regions, as well as GTV by sector, are presented below for the comparative reporting period.

## GTV by Geography

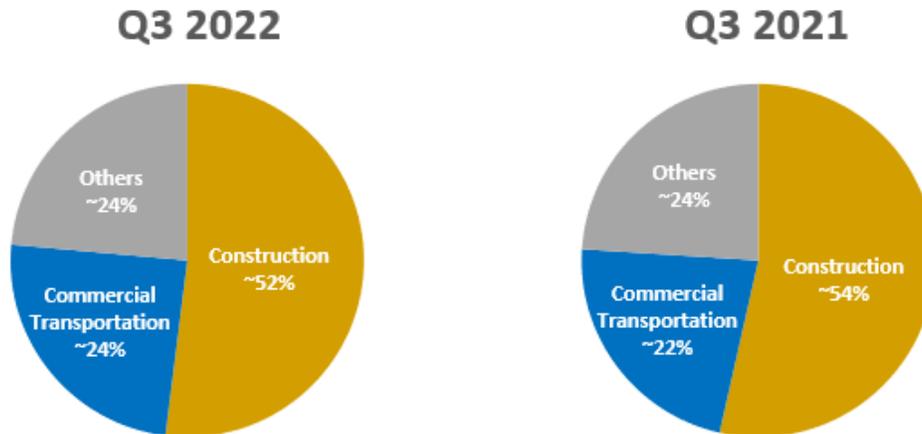
(in U.S. dollars \$000's, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
			2022 over 2021			2022 over 2021
<b>Total GTV by Geography</b>						
United States	\$ 855,491	\$ 798,725	7 %	\$ 2,578,946	\$ 2,421,204	7 %
Canada	314,872	266,574	18 %	1,251,029	1,028,260	22 %
International	187,879	204,959	(8)%	651,647	622,975	5 %
Total GTV	\$ 1,358,242	\$ 1,270,258	7 %	\$ 4,481,622	\$ 4,072,439	10 %
<b>Service GTV by Geography</b>						
United States	\$ 753,203	\$ 761,483	(1)%	\$ 2,320,630	\$ 2,263,773	3 %
Canada	303,486	260,788	16 %	1,191,133	1,004,831	19 %
International	136,770	132,498	3 %	457,972	419,208	9 %
Total Service GTV <sup>1</sup>	\$ 1,193,459	\$ 1,154,769	3 %	\$ 3,969,735	\$ 3,687,812	8 %

## GTV by Sector

The following pie charts illustrate the breakdown of total GTV by sector for the third quarter of 2022 compared to the third quarter of 2021.

The construction sector includes heavy equipment such as trucks, excavators, cranes and dozers. The commercial transportation sector includes vehicles, buses, trailers and trucks that are used for transport. The other sector primarily includes equipment sold in the agricultural, forestry and energy industries.

In the third quarter of 2022, total GTV mix compared to the third quarter of 2021 increased by 2 percentage points in the commercial transportation sector, offset by a 2 percentage point decrease in the construction sector.



## Total Auction Metrics

	<u>Three months ended September 30,</u>			<u>Nine months ended September 30,</u>		
	<u>2022</u>	<u>2021</u>	<u>% Change 2022 over 2021</u>	<u>2022</u>	<u>2021</u>	<u>% Change 2022 over 2021</u>
Bids per lot sold *	29	26	12 %	28	27	4 %
Total lots sold *	<u>125,661</u>	<u>107,825</u>	<u>17 %</u>	<u>375,595</u>	<u>372,290</u>	<u>1 %</u>

\* Management reviews industrial equipment auction metrics excluding GovPlanet; as a result, GovPlanet business metrics are excluded from these metrics

The total number of bids per lot sold increased 12% to 29 in the third quarter of 2022 compared to the third quarter of 2021 and increased 4% to 28 for the first nine months of 2022, reflecting continued strong demand for used equipment from buyers in a tight supply market.

The total lots sold increased 17% to 125,661 in the third quarter of 2022 primarily driven by an increase in lot counts, as well as the shift to a higher proportion of high value lots sold in the United States. For the first nine months of 2022, the total lots sold increased 1%.

## A&M revenue

Total A&M revenue increased 22% to \$358.7 million in the third quarter of 2022.

A&M revenue by geographical region are presented below:

(in U.S. dollars \$000's, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change 2022 over 2021	2022	2021	% Change 2022 over 2021
<b>A&amp;M Revenue by Geography</b>						
<b>United States</b>						
Service revenue	\$ 128,749	\$ 120,391	7 %	\$ 394,938	\$ 356,779	11 %
Inventory sales revenue	102,288	37,242	175 %	258,316	157,431	64 %
A&M revenue - United States	231,037	157,633	47 %	653,254	514,210	27 %
<b>Canada</b>						
Service revenue	44,637	36,947	21 %	164,153	141,027	16 %
Inventory sales revenue	11,386	5,786	97 %	59,896	23,429	156 %
A&M revenue - Canada	56,023	42,733	31 %	224,049	164,456	36 %
<b>International</b>						
Service revenue	20,541	21,544	(5)%	70,831	65,815	8 %
Inventory sales revenue	51,109	72,461	(29)%	193,675	203,767	(5)%
A&M revenue - International	71,650	94,005	(24)%	264,506	269,582	(2)%
<b>Total</b>						
Service revenue	193,927	178,882	8 %	629,922	563,621	12 %
Inventory sales revenue	164,783	115,489	43 %	511,887	384,627	33 %
Total A&M revenue	\$ 358,710	\$ 294,371	22 %	\$ 1,141,809	\$ 948,248	20 %

### United States

In the third quarter of 2022, service revenue increased 7% while service GTV decreased 1%. The increase in service revenue was primarily due to higher buyer fee rates implemented in early 2022. In addition, we saw higher fees on a higher proportion of low value lots, higher document fees from the harmonization of online document fees, and positive rate performances in our guarantee commission contracts. These increases were partially offset by softer straight commission rate performance due to a higher proportion of GTV sourced from strategic accounts.

For the first nine months of 2022, service revenue increased 11% while Service GTV increased 3% primarily due to higher buyer fee rates implemented in early 2022, and higher straight commission rates on a lower proportion of GTV sourced from strategic accounts. These increases were partially offset by lower buyer fees on a lower proportion of small value lots and lower fees associated with online inspections driven by lower online lot counts.

In the third quarter of 2022, inventory sales revenue increased 175% primarily due to higher volume of inventory selling through our strategic accounts in both the finance and rental sectors, and higher volumes sold at several of our auctions. We also saw increased volumes selling through our GovPlanet business from our non-rolling and rolling stock contracts.

For the first nine months of 2022, inventory sales revenue increased 64% primarily due to the same reasons as discussed above. In addition, we saw higher inventory sales revenue, driven by a large dispersal of construction equipment in our Phoenix, Arizona auction.

### Canada

In the third quarter of 2022, service revenue increased 21%, primarily due to the 16% increase in Service GTV. The remaining increase was a result of higher buyer fee rates implemented in early 2022, partially offset by lower commissions from lower rates contributed by a higher proportion of GTV in RBFS.

For the first nine months of 2022, service revenue increased 16% while Service GTV increased 19%. Service revenue growth was lower than the increase in Service GTV primarily due to the impact of lower rates on GTV generated in RBFS, the non-repeat of several high performing guarantee contracts, as well as lower buyer fees on a lower proportion of small value lots. These were partially offset by an increase in fees primarily due to higher buyer fee rates implemented in early 2022.

In the third quarter of 2022, inventory sales revenue increased 97% primarily driven by higher performing inventory contracts mainly in the construction sector.

For the first nine months of 2022, inventory sales revenue increased 156% primarily for the same reason and from strong performances from two large inventory contracts in the commercial transportation sector.

### **International**

In the third quarter of 2022, service revenue decreased 5% while Service GTV increased 3%. The decrease was primarily due to lower buyer fees in Europe and Australia as a result of discounts provided on fees in online transactions.

For the first nine months of 2022, service revenue increased 8% primarily in line with 9% increase in Service GTV.

In the third quarter of 2022, inventory sales revenue decreased 29% mainly due to softer year-over-year performances in Europe from the non-repeat of several contracts and a decreased number of private treaty transactions in Australia.

For the first nine months of 2022, inventory sales revenue decreased 5% primarily for the same reasons as discussed above. Offsetting these were strong performances in Australia from a higher amount of inventory sales and a few new auction events.

### **Costs of services**

A&M costs of services increased 8% to \$24.6 million in the third quarter of 2022 compared to the third quarter of 2021 in line with total GTV increase of 7%.

For the first nine months of 2022, A&M costs of services increased 10% to \$79.2 million, primarily in line with total GTV increase of 10%. We incurred higher building, facilities and technology expenses to support our flagship Orlando event and other events, which returned to live in-person onsite bidding. We also incurred additional fees paid to third parties in connection with profit sharing arrangements on inventory contracts.

### **Cost of inventory sold**

A&M cost of inventory sold increased 43% to \$147.3 million in the third quarter of 2022 compared to the third quarter of 2021 primarily in line with 43% increase in inventory sales revenue.

For the first nine months of 2022, A&M cost of inventory sold increased 32% to \$455.0 million primarily in line with the 33% increase in inventory sales revenue.

### **Selling, general and administrative**

A&M selling, general and administrative increased 23% to \$116.3 million in the third quarter of 2022 compared to the third quarter of 2021. This increase was primarily due to higher short-term incentive expenses driven by strong performance. Building, facilities and technology costs also increased mainly due to the amortization of the right-of-use asset of the Bolton property from the sale and lease back arrangement completed in the first quarter of 2022, as well as higher costs as we shift to cloud-based solutions to improve customer experiences. Share-based payments also increased as a result of higher expense relating to share-based awards issued to senior executives, and higher expense from the premium-priced options and PSU's with market conditions granted in late 2021. In addition, we saw higher travel, advertising and promotion costs from increased activity in global travel, and higher marketing expenses to promote new initiatives. We also saw higher wages, salaries and benefits expenses, as well as higher headcount to accelerate our growth initiatives and our transformational journey to become a trusted global marketplace. Inflation has also driven higher personnel and travel costs. These increases were partially offset by a favourable impact of foreign exchange.

For the first nine months of 2022, A&M selling, general and administrative increased 18% to \$350.7 million primarily due to higher short-term incentive expenses, higher building, facilities and technology costs, higher share-based payments, higher wages, salaries and benefits expenses and higher travel, advertising and promotion for the same reasons as discussed above. We also saw higher professional fees driven by our investment in new modern architecture to support our future marketplace and services strategy.

## Other Services Segment

Results of Other Services segment operations are presented below for the comparative reporting periods.

(in U.S. dollars \$000's, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change 2022 over 2021	2022	2021	% Change 2022 over 2021
Service revenue	\$ 52,769	\$ 35,311	49 %	\$ 148,137	\$ 109,350	35 %
Ancillary and logistical service expenses	14,417	11,433	26 %	38,618	38,521	0 %
Other costs of services	2,503	947	164 %	7,797	3,546	120 %
Selling, general and administrative	16,856	12,305	37 %	53,393	34,108	57 %
Other services profit	\$ 18,993	\$ 10,626	79 %	\$ 48,329	\$ 33,175	46 %

In the third quarter of 2022, Other Services revenue increased 49% to \$52.8 million primarily due to higher RBFS revenues of \$5.3 million and SmartEquip of \$5.2 million, being the third full quarter revenue recognized since the acquisition on November 2, 2021. In addition, ancillary revenue increased \$4.2 million as a result of higher activity for value-added services and higher revenue from our Rouse business.

In the first nine months of 2022, Other Services revenue increased 35% to \$148.1 million primarily due to higher RBFS revenues of \$20.0 million, \$14.9 million of revenue from SmartEquip and \$3.2 million of revenue from Rouse.

Ancillary and logistical service expenses increased 26% to \$14.4 million in the third quarter of 2022, in line with higher ancillary revenue, and remained flat at \$38.6 million in the first nine months of 2022. Other costs of services increased 164% to \$2.5 million in the third quarter of 2022 and increased 120% to \$7.8 million in the first nine months of 2022 mainly due to the inclusion of SmartEquip since its acquisition on November 2, 2021. Selling, general and administrative increased 37% to \$16.9 million in the third quarter of 2022 and increased 57% to \$53.4 million in the first nine months of 2022, primarily due to the inclusion of SmartEquip, higher wages, salaries and benefits expenses due to the growth in our RBFS business, and higher headcount in Rouse to support our growth initiatives.

RBFS revenue increased 47% in the third quarter of 2022 and increased 62% in the first nine months of 2022, driven by higher funded volumes and improved rate on fees earned from facilitating financing arrangements. In the third quarter of 2022, our funded volume, which represents the amount of lending brokered by RBFS, increased 38% to \$243.7 million, and increased 43% when excluding the impact of foreign exchange. In the first nine months of 2022, our funded volume increased 49% to \$775.0 million, and increased 53% when excluding the impact of foreign exchange.

In the third quarter of 2022 and in the first nine months of 2022, Other Services profit increased 79% to \$19.0 million and increased 46% to \$48.3 million primarily driven by our RBFS business.

Additionally, in the first quarter of 2021, we launched a business version of our IMS, which offers our customers asset management and disposition services, data analytics, dashboards, branded e-commerce sites and multiple external sales channels to help our customers achieve optimal returns. We continue to grow the number of organizations activated on IMS. During the third quarter of 2022, the number of organizations activated on our IMS increased by 42% compared to the second quarter of 2022.

As we evolve to a marketplace, we also facilitate retail and peer-to-peer auction events and equipment sale transactions via our online technology in exchange for hosting fees. During the third quarter of 2022, customers that used this service disposed of \$22.5 million of assets, which is a decrease of 33% from the third quarter of 2021 primarily driven by an unfavourable supply environment. For the first nine months of 2022, this service facilitated transactions of \$90.8 million, a 19% decrease as compared to the prior year for the same reason mentioned above.

## Liquidity and Capital Resources

Our principal sources of liquidity are our cash provided by operating activities and borrowings from our revolving credit facilities, which we renewed on September 21, 2021.

We believe that our existing working capital and availability under our credit facilities are sufficient to satisfy our present operating requirements and contractual obligations. Our material short-term cash requirements include (i) inventory purchases, (ii) capital expenditures for intangible assets and property, plant and equipment (iii) payment of quarterly dividends on an as-declared basis, (iv) settlement of contracts with consignors and other suppliers, (v) personnel expenditures, with a majority of bonuses paid annually in the first quarter following each fiscal period, (vi) income tax payments, primarily paid in quarterly installments, (vii) lease payments, and (viii) principal payments on short-term and current portions of long-term debt, (ix) interest payments related to our current debt obligations, and (x) any transaction costs related to the proposed acquisition of IAA. We also have inventory purchase commitments, related to our GovPlanet business, which is described in Note 23 of our consolidated financial statements.

During the first quarter of 2022, we completed the sale and leaseback of the Bolton property for a total sale consideration and net proceeds of approximately \$165.0 million. The proceeds from the sale were used to repay our revolving credit facilities. We have also leased back the Bolton property while we complete the acquisition and development of a replacement property and auction site located in Amaranth, Ontario over the next two to three years. We intend to fund the material cash requirement for the acquisition and development of the Amaranth property from cash flows from ongoing operations.

During the second quarter of 2022, as a result of the Company's decision to discontinue the phase 2 review by the United Kingdom's Competition and Markets Authority ("CMA"), the Company redeemed all of the 2021 Notes, which were held in escrow, at a redemption price equal to 100% of the original offering price of the notes, plus accrued and unpaid interest. As such, on May 4, 2022, the Company paid net proceeds of approximately \$931 million to its bondholders.

Other long-term cash requirements include long-term debt principal repayments, which are disclosed according to maturity date in Note 21 in our Annual Report on Form 10-K for the year ended December 31, 2021, as well as interest payments related to our non-current debt obligations. We are also committed under various letters of credit and provide certain guarantees in the normal course of business.

If we were to consider further acquisitions to deliver on our strategic growth drivers, we may seek financing through equity markets or additional debt markets. The issuance of equity securities may result in dilution to our shareholders. Issuance of preferred equity securities could provide for rights, preferences or privileges senior to those of our common stock. Further, this additional capital may not be available on reasonable terms, or at all.

We assess our liquidity based on our ability to generate cash and secure credit to fund operating, investing, and financing activities. Our liquidity is primarily affected by fluctuations in cash provided by operating activities, significant acquisitions of businesses, payment of dividends, share repurchases, our net capital spending<sup>1</sup>, and voluntary repayments of debt. We believe our principal sources of liquidity, which include cash flow from operations, our current unused capacity under our revolving credit facilities of \$691 million, is sufficient to fund our current operating activities and future growth strategies.

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.

On November 7, 2022, we entered into the Merger Agreement providing for our acquisition of IAA. We have agreed to various covenants and agreements, including, among others, agreements to use reasonable best efforts to conduct our business in the ordinary course in all material respects between the execution of the Merger Agreement and the closing of the transaction and not to take certain actions described in the Merger Agreement. We do not believe that these provisions will prevent us from meeting our ongoing costs of operations, working capital needs or capital expenditure requirements. In addition, if the Merger Agreement is terminated in certain circumstances, we or IAA, as applicable, would be required to pay the other a termination fee of \$189 million.

---

<sup>1</sup> We calculate net capital spending as property, plant and equipment additions plus intangible asset additions less proceeds on disposition of property, plant and equipment.

In connection with the proposed acquisition of IAA, on November 7, 2022, we entered into a Commitment Letter pursuant to which the Initial Lenders thereunder are committing to provide (i) the Backstop Revolving Facility and (ii) the Bridge Loan Facility. We expect to replace the Bridge Loan Facility prior to the closing of the acquisition of IAA with permanent financing, which may include the issuance of debt securities and/or one or more senior term loan facilities. Taking on additional indebtedness in connection with the proposed acquisition, as a result of the borrowings under the Bridge Loan Facility and/or other permanent financing that replaces such facility, would increase the cash outlays to service our debt in future periods.

## Cash flows

<b>(in U.S. dollars \$000's, except percentages)</b>	<b>Nine months ended September 30,</b>		
	<b>% Change</b>		
	<b>2022</b>	<b>2021</b>	<b>2022 over 2021</b>
Cash provided by (used in):			
Operating activities	\$ 263,906	\$ 304,118	(13)%
Investing activities	108,340	(32,376)	(435)%
Financing activities	(1,194,004)	(103,256)	1,056 %
Effect of changes in foreign currency rates	(25,620)	(7,027)	265 %
Net (decrease) increase in cash, cash equivalents, and restricted cash	\$ (847,378)	\$ 161,459	(625)%

Net cash provided by operating activities decreased \$40.2 million in the first nine months of 2022, mainly due to lower cash inflows from the change in operating assets and liabilities, partially offset by the increase in our net income, which contributed to an increase in cash provided by operating activities. The reduction in cash inflow from the change in operating assets and liabilities arose primarily due to the timing, size and number of auctions. We also saw a net higher outflows for inventory purchases. These outflows were offset by the deferral of cash tax relating to the taxable gain portion on the sale of our Bolton property made in the first quarter of 2022 and lower-income tax payments as a result of timing of instalments. We also saw a positive net cash flow impact from prepaying in the fourth quarter of 2021 the first quarter of 2022 interest on the 2021 Notes held in escrow and from lower bonus payments.

Net cash provided by investing activities increased \$140.7 million in the first nine months of 2022. This increase was primarily due to the sale of our Bolton property for total net cash proceeds of approximately \$165.0 million, offset by an increase in purchases of property plant and equipment of \$19.2 million primarily as a result of the purchase of our Maltby auction site in the United Kingdom.

Net cash used in financing activities increased \$1.1 billion in the first nine months of 2022, primarily due to the \$931 million repayment of long-term debt as a result of the redemption of our 2021 Notes on May 4, 2022. We also made a \$164.0 million repayment of debt on our long-term revolving credit facilities from the proceeds from the sale of the Bolton property in the first quarter of 2022. In addition, we also saw higher dividends of \$9.1 million paid to our stockholders and lower proceeds of \$8.2 million from the exercise of stock options compared to the comparative period in 2021. Offsetting these, we had lower cash outflows in the third quarter ended September 30, 2021 when we paid \$5.6 million to acquire the remaining 25% membership interest in Xcria, LLC. We also saw positive impacts from lower withholding tax payments on the issuance of shares of \$5.3 million and lower net draws of \$5.1 million on our short-term debt compared to the comparative period in 2021.

## Dividend information

We declared a dividend of \$0.25 per common share for each of the quarter ended September 30, 2021, December 31, 2021, and March 31, 2022. We declared a dividend of \$0.27 per common share for the quarter ended June 30, 2022. We have declared, but not yet paid, a dividend of \$0.27 per common share for the quarter ended September 30, 2022. All dividends that we pay are “eligible dividends” for Canadian income tax purposes unless indicated otherwise.

## Return on average invested capital

During the quarter ended September 30, 2022, we updated our calculation of return on average invested capital (“ROIC”) and adjusted ROIC. Refer to the non-GAAP measures section below, specifically our Adjusted Return and Adjusted ROIC Reconciliation, for further information.

ROIC increased 680 bps to 17.0% for the twelve months period ending September 30, 2022 from 10.2% for the twelve months period ending September 30, 2021. This increase is primarily due to an increase in net income attributable to stockholders over the comparative period, mainly driven by the gain from the sale of the Bolton property. This increase was offset by a higher average invested capital over the comparative period as a result of the senior notes issued into escrow on December 21, 2021. Adjusted return

on average invested capital increased 100 bps to 15.8% during the twelve months ended September 30, 2022 compared to 14.8% in 2021, primarily due to a higher adjusted return as a result of higher operating income.

### Credit facilities

We have a credit agreement which is comprised of multicurrency revolving facilities (the “Revolving Facilities”) and a delayed-draw term loan facility (the “DDTL Facility”, together with the Revolving Facilities, the “Facilities”). The credit agreement was most recently amended in September 2021, which, among other things (i) extended the maturity date of the Facilities from October 27, 2023 to September 21, 2026, (ii) increased the total size of the Facilities provided under the Credit Agreement to up to \$1.0 billion, including \$295.0 million of commitments under the DDTL Facility, (iii) reduced the applicable margin for base rate loans and LIBOR loans at each pricing tier level, (iv) reduced the applicable percentage per annum used to calculate the commitment fee in respect of the unused commitments under the Facilities at each pricing tier level, and (v) included customary provisions to provide for the eventual replacement of LIBOR as a benchmark interest rate.

Immediately prior to the amendment, the aggregate principal amount outstanding under the DDTL Facility was \$90.0 million (\$118.9 million CAD). In connection with the amendment, the Company refinanced that amount with the proceeds from a borrowing under the DDTL Facility. There are no mandatory principal repayments of borrowings under the DDTL Facility until the earlier of when the remaining \$205.0 million is drawn or third quarter of 2022. The Company did not draw on the remaining \$205.0 million before it expired on June 28, 2022 and, therefore, mandatory principal repayments began in the third quarter of 2022. The principal payments are subject to an annual amortization rate of 5%, payable in quarterly installments, with the balance payable at maturity.

Credit facilities at September 30, 2022 and December 31, 2021 were as follows:

<b>(in U.S. dollars \$000's, except percentages)</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>% Change</b>
<i>Committed</i>			
DDTL Facility	\$ 84,848	\$ 298,284	(72)%
Revolving credit facilities	750,000	750,000	— %
<i>Uncommitted</i>			
Revolving credit facilities	10,000	10,000	— %
Total credit facilities	<u>\$ 844,848</u>	<u>\$ 1,058,284</u>	<u>(20)%</u>
<i>Unused</i>			
DDTL Facility	\$ —	\$ 205,000	(100)%
Revolving credit facilities	691,171	525,581	32 %
Total credit facilities unused	<u>\$ 691,171</u>	<u>\$ 730,581</u>	<u>(5)%</u>

### Debt covenants

We were in compliance with all financial and other covenants applicable to our credit facilities at September 30, 2022.

Our ability to borrow under our syndicated revolving credit facility is subject to compliance with financial covenants of a consolidated leverage ratio and a consolidated interest coverage ratio. 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 evaluate courses of action to maintain current levels of liquidity and compliance with our debt covenants.

### 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 and related circumstances. At September 30, 2022, other than the estimates in accounting for the sale and leaseback transaction related to the sale of our Bolton property in the first quarter of 2022, as described below, there were no material changes in our critical accounting policies, judgments, estimates and assumptions from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021, or in the notes to our consolidated financial statements included in “Part I, Item 1: Consolidated Financial Statements” in this Quarterly Report on Form 10-Q.

Effective October 1, 2021, we early adopted ASU 2021-08, Business Combinations (Topic 805): *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The update primarily addresses the accounting for contract assets and contract

liabilities from revenue contracts with customers acquired in a business combination. An entity that early adopts in an interim period should apply the amendments (i) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and (ii) prospectively to all business combinations that occur on or after the date of initial application. We have applied the amendments to the SmartEquip acquisition, which was completed on November 2, 2021.

Significant items subject to estimates and judgements during the nine month period ended September 30, 2022 were made in accounting for the completed sale and leaseback transaction of our Bolton property. We determined the following estimates in calculating the gain on sale: the present value of market rental payments of the Bolton property sold, the expected lease term in the leaseback arrangement and our incremental borrowing rate based on information available at the commencement date of the lease.

For a discussion of our new and amended accounting standards, refer to Note 2(b) of the Consolidated Financial Statements, 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 US GAAP.

### Adjusted Operating Income Reconciliation

We believe that adjusted operating income provides useful information about the growth or decline of our operating income 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. Adjusted operating income enhances our ability to evaluate and understand ongoing operations, underlying business profitability, and facilitate the allocation of resources.

Adjusted operating income eliminates the financial impact of adjusting items from operating income, which are significant recurring and non-recurring items that we do not consider to be part of our normal operating results, such as share-based payments expense, acquisition-related costs, amortization of acquired intangible assets, management reorganization costs, and certain other items, which we refer to as “adjusting items”.

In 2021, we updated the calculation of adjusted operating income to add-back share-based payments expense, all acquisition-related costs (including any share based continuing employment costs recognized in acquisition-related costs), amortization of acquired intangible assets, and gain or loss on disposition of property, plant and equipment. We have also adjusted for certain non-recurring advisory, legal and restructuring costs. These adjustments have been applied retrospectively to all periods presented, as applicable.

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

(in U.S. dollars \$000's, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change 2022 over 2021	2022	2021	% Change 2022 over 2021
Operating income	\$ 63,954	\$ 53,619	19 %	\$ 388,659	\$ 187,638	107 %
Share-based payments expense	8,806	5,627	56 %	27,833	16,945	64 %
Acquisition-related costs	2,031	10,255	(80)%	15,067	16,226	(7)%
Amortization of acquired intangible assets	8,227	6,622	24 %	25,185	20,065	26 %
Loss (Gain) on disposition of property, plant and equipment and related costs	930	(1,068)	(187)%	(167,737)	(1,311)	12,695 %
Loss on redemption of the 2021 Notes and certain related interest expense	—	—	— %	9,664	—	100 %
Change in fair value of derivatives	—	—	— %	(1,263)	—	(100)%
Non-recurring advisory, legal and restructuring costs	1,494	680	120 %	4,873	920	430 %
Adjusted operating income	<u>\$ 85,442</u>	<u>\$ 75,735</u>	<u>13 %</u>	<u>\$ 302,281</u>	<u>\$ 240,483</u>	<u>26 %</u>

- (1) Please refer to pages 54-56 for a summary of adjusting items during the three and nine months ended September 30, 2022 and September 30, 2021.
- (2) Adjusted operating income represents operating income excluding the effects of adjusting items.

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

We believe that adjusted net income attributable to stockholders provides useful information about the growth or decline of our net income attributable to stockholders for the relevant financial period and eliminates the financial impact of adjusting items we do not consider to be part of our normal operating results. Diluted adjusted EPS attributable to stockholders eliminates the financial impact of adjusting items from net income attributable to stockholders that we do not consider to be part of our normal operating results, such as share-based payments expense, acquisition-related costs, amortization of acquired intangible assets, management reorganization costs, and certain other items, which we refer to as “adjusting items”.

In 2021, we updated the calculation of diluted adjusted EPS attributable to stockholders to add-back certain adjustments that have been applied retrospectively to all periods presented, as applicable (refer to adjusted operating income reconciliation above).

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 financial statements.

(in U.S. dollars \$000's, except share and per share data, and percentages)

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change 2022 over 2021	2022	2021	% Change 2022 over 2021
Net income attributable to stockholders	\$ 42,909	\$ 32,336	33 %	\$ 274,368	\$ 121,273	126 %
Share-based payments expense	8,806	5,627	56 %	27,833	16,945	64 %
Acquisition-related costs	2,031	10,255	(80)%	15,067	16,226	(7)%
Amortization of acquired intangible assets	8,227	6,622	24 %	25,185	20,065	26 %
Loss (Gain) on disposition of property, plant and equipment and related costs	930	(1,068)	(187)%	(167,737)	(1,311)	12,695 %
Loss on redemption of the 2021 Notes and certain related interest expense	—	—	— %	9,664	—	100 %
Change in fair value of derivatives	—	—	— %	(1,263)	—	(100)%
Non-recurring advisory, legal and restructuring costs	1,494	680	120 %	4,873	920	430 %
Related tax effects of the above	(4,544)	(4,672)	(3)%	5,899	(13,798)	(143)%
Adjusted net income attributable to stockholders	\$ 59,853	\$ 49,780	20 %	\$ 193,889	\$ 160,320	21 %
Weighted average number of dilutive shares outstanding	112,209,535	111,391,396	1 %	111,858,095	111,333,247	0 %
Diluted earnings per share attributable to stockholders	\$ 0.38	\$ 0.29	31 %	\$ 2.45	\$ 1.09	125 %
Diluted adjusted earnings per share attributable to stockholders	\$ 0.53	\$ 0.45	18 %	\$ 1.73	\$ 1.44	20 %

- (1) Please refer to pages 54-56 for a summary of adjusting items during the three and nine months ended September 30, 2022 and September 30, 2021.
- (2) Adjusted net income attributable to stockholders represents net income attributable to stockholders excluding the effects of adjusting items.
- (3) Diluted adjusted EPS attributable to stockholders is calculated by dividing adjusted net income attributable to stockholders, net of the effect of dilutive securities, by the weighted average number of dilutive shares outstanding.

## Adjusted EBITDA

We believe adjusted EBITDA provides useful information about the growth or decline of our net income when compared between different financial periods. We use adjusted EBITDA as a key performance measure because we believe it facilitates operating performance comparisons from period to period and it provides management with the ability to monitor its controllable incremental revenues and costs.

In 2021, we updated the calculation of adjusted EBITDA to add-back certain adjustments which have been applied retrospectively to all periods presented, as applicable (refer to adjusted operating income reconciliation above).

The following table reconciles adjusted EBITDA to net income, which is the most directly comparable GAAP measure in, or calculated from, our consolidated financial statements:

(in U.S. dollars \$000's, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change 2022 over 2021	2022	2021	% Change 2022 over 2021
Net income	\$ 42,924	\$ 32,357	33 %	\$ 274,436	\$ 121,277	126 %
Add: depreciation and amortization	24,290	21,907	11 %	72,813	64,912	12 %
Add: interest expense	9,199	8,807	4 %	48,348	26,620	82 %
Less: interest income	(1,827)	(375)	387 %	(3,242)	(1,009)	221 %
Add: income tax expense	14,697	13,057	13 %	72,564	42,541	71 %
EBITDA	89,283	75,753	18 %	464,919	254,341	83 %
Share-based payments expense	8,806	5,627	56 %	27,833	16,945	64 %
Acquisition-related costs	2,031	10,255	(80)%	15,067	16,226	(7)%
Loss (Gain) on disposition of property, plant and equipment and related costs	930	(1,068)	(187)%	(167,737)	(1,311)	12,695 %
Change in fair value of derivatives	—	—	— %	(1,263)	—	(100)%
Non-recurring advisory, legal and restructuring costs	1,494	680	120 %	4,873	920	430 %
Adjusted EBITDA	<u>\$ 102,544</u>	<u>\$ 91,247</u>	<u>12 %</u>	<u>\$ 343,692</u>	<u>\$ 287,121</u>	<u>20 %</u>

- (1) Please refer to pages 54-56 for a summary of adjusting items during the three and nine months ended September 30, 2022 and September 30, 2021.
- (2) Adjusted EBITDA is calculated by adding back depreciation and amortization, interest expense, income tax expense, and subtracting interest income from net income, as well as adding back share-based payments expense, acquisition-related costs, loss (gain) on disposition of property, plant and equipment, terminated and ongoing transaction costs, and excluding the effects of any non-recurring or unusual adjusting items.

### Adjusted Net Debt and Adjusted Net Debt/Adjusted EBITDA Reconciliation

We believe that comparing adjusted net debt/adjusted EBITDA on a trailing twelve months 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. dollars \$millions, except percentages)	As at and for the twelve months ended September 30,		
	2022	2021	% Change 2022 over 2021
Short-term debt	\$ 1.6	\$ 18.5	(91)%
Long-term debt	637.3	633.7	1 %
Debt	638.9	652.2	(2)%
Less: cash and cash equivalents	(438.8)	(362.6)	21 %
Adjusted net debt	200.1	289.6	(31)%
Net income	\$ 305.0	\$ 170.2	79 %
Add: depreciation and amortization	95.8	84.3	14 %
Add: interest expense	58.7	35.4	66 %
Less: interest income	(3.6)	(1.6)	125 %
Add: income tax expense	83.4	59.3	41 %
EBITDA	539.3	347.6	55 %
Share-based payments expense	34.0	21.5	58 %
Acquisition-related costs	29.0	22.2	31 %
Loss (Gain) on disposition of property, plant and equipment and related costs	(167.9)	(1.3)	12,815 %
Change in fair value of derivatives	—	—	— %
Non-recurring advisory, legal and restructuring costs	7.5	0.9	733 %
Adjusted EBITDA	\$ 441.9	\$ 390.9	13 %
Debt/net income	2.1 x	3.8 x	(45)%
Adjusted net debt/adjusted EBITDA	0.5 x	0.7 x	(29)%

- (1) Please refer to pages 54-56 for a summary of adjusting items during the trailing twelve months ended September 30, 2022 and September 30, 2021.
- (2) Adjusted EBITDA is calculated by adding back depreciation and amortization, interest expense, income tax expense, and subtracting interest income from net income, as well as adding back share-based payments expense, acquisition-related costs, loss (gain) on disposition of property, plant and equipment, terminated and ongoing transaction costs, and excluding the effects of any non-recurring or unusual 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 twelve months 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. dollars \$millions, except percentages)	Twelve months ended September 30,		
	2022	2021	% Change 2022 over 2021
Cash provided by operating activities	\$ 277.4	\$ 296.7	(7)%
Property, plant and equipment additions	29.1	11.4	155 %
Intangible asset additions	36.3	34.6	5 %
Proceeds on disposition of property plant and equipment	(165.4)	(1.8)	9,089 %
Net capital spending	\$ (100.0)	\$ 44.2	(326)%
OFCF	\$ 377.4	\$ 252.5	49 %

(1) OFCF is calculated by subtracting net capital spending from cash provided by operating activities.

## Adjusted Return and Adjusted ROIC Reconciliation

We believe that comparing adjusted ROIC on a trailing twelve months basis for different financial periods provides useful information about the after-tax return generated by our investments. Adjusted ROIC is a measure used by management to determine how productively the Company uses its long-term capital to gauge investment decisions.

Previously, we calculated ROIC as net income attributable to stockholders divided by average invested capital. During the quarter ended September 30, 2022, we updated our calculation of ROIC to better align to industry standards. ROIC is now calculated as reported return divided by average invested capital. Reported return is defined as net income attributable to stockholders excluding the impact of net interest expense, tax effected at the Company's adjusted annualized effective tax rate. We also updated the calculation of average invested capital to include average short term debt.

Similarly, we updated our calculation of adjusted ROIC. Adjusted ROIC is calculated as adjusted return divided by adjusted average invested capital. Adjusted return is defined as reported return, updated as noted above, and adjusted for items that we do not consider to be part of our normal operating results, tax effected at the applicable tax rate. Adjusted average invested capital is calculated as average invested capital, updated as noted above, but excludes any long-term debt in escrow.

These changes have been applied retrospectively to all periods presented, as applicable. Accordingly, the Company will no longer report adjusted ROIC excluding escrowed debt as one of our non-GAAP measures as previously labeled.

The following table reconciles adjusted return and adjusted ROIC to net income attributable to stockholders and adjusted average invested capital to average invested capital, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements:

(in U.S. dollars \$millions, except percentages)	As at and for the twelve months ended September 30,		
	2022	2021	% Change 2022 over 2021
Net income attributable to stockholders	\$ 305.0	\$ 170.1	79 %
Add:			
Interest expense	58.7	35.4	66 %
Interest income	(3.6)	(1.6)	125 %
Interest, net	55.1	33.8	63 %
Tax on interest, net	(14.6)	(8.8)	66 %
Reported return	\$ 345.5	\$ 195.1	77 %
Add:			
Share-based payments expense	34.0	21.5	58 %
Acquisition-related costs	29.0	22.2	31 %
Amortization of acquired intangible assets	33.1	25.7	29 %
Loss (Gain) on disposition of property, plant and equipment and related costs	(167.9)	(1.3)	12,815 %
Non-recurring advisory, legal and restructuring costs	7.5	0.9	733 %
Related tax effects of the above	1.9	(20.0)	(110)%
Change in uncertain tax provision - tax effect	—	1.5	(100)%
Adjusted return	\$ 283.1	\$ 245.6	15 %
Short-term debt - opening balance	\$ 18.5	\$ 20.3	(9)%
Short-term debt - ending balance	1.6	18.5	(91)%
Average short-term debt	10.1	19.4	(48)%
Long-term debt - opening balance	633.7	632.6	0 %
Long-term debt - ending balance	637.3	633.7	1 %
Average long-term debt	635.5	633.2	0 %
Stockholders' equity - opening balance	1,061.9	959.5	11 %
Stockholders' equity - ending balance	1,238.8	1,061.9	17 %
Average stockholders' equity	1,150.4	1,010.7	14 %
Average invested capital	\$ 1,796.0	\$ 1,663.3	8 %
Adjusted average invested capital	\$ 1,796.0	\$ 1,663.3	8 %
ROIC	17.0 %	10.2 %	680 bps
Adjusted ROIC	15.8 %	14.8 %	100 bps

(1) Please refer to pages 54-56 for a summary of adjusting items during the trailing twelve months ended September 30, 2022 and September 30, 2021.

- (2) ROIC is calculated as net income attributable to stockholders divided by average invested capital. We calculate average invested capital as the average short-term, long-term debt and average stockholders' equity over a trailing twelve months period.
- (3) Adjusted ROIC is calculated as adjusted return divided by adjusted average invested capital.
- (4) 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.

The following table reconciles adjusted return and adjusted ROIC to net income attributable to stockholders and average invested capital on a quarterly basis, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements:

(in U.S. dollars \$millions, except percentages)	As at and for the twelve months ended									
	September 30 2022	June 30 2022	March 31 2022	December 31 2021	September 30 2021	June 30 2021	March 31 2021	December 31 2020	September 30 2020	
Net income attributable to stockholders	\$ 305.0	\$ 294.4	\$ 301.8	\$ 151.9	\$ 170.1	\$ 183.2	\$ 175.7	\$ 170.0	\$ 172.8	
Add:										
Interest expense	58.7	58.3	48.7	37.0	35.4	35.3	35.3	35.6	37.1	
Interest income	(3.6)	(2.2)	(1.6)	(1.4)	(1.6)	(1.7)	(1.8)	(2.3)	(3.1)	
Interest, net	55.1	56.1	47.1	35.6	33.8	33.6	33.5	33.3	34.0	
Tax on interest, net	(14.6)	(14.8)	(12.3)	(9.1)	(8.8)	(8.8)	(9.0)	(9.1)	(8.9)	
Reported return	\$ 345.5	\$ 335.7	\$ 336.6	\$ 178.4	\$ 195.1	\$ 208.0	\$ 200.2	\$ 194.2	\$ 197.9	
Add:										
Share-based payments expense	34.0	30.8	24.7	23.1	21.5	24.4	23.3	21.9	17.6	
Acquisition-related costs	29.0	37.3	36.9	30.2	22.2	12.0	8.9	6.0	-	
Amortization of acquired intangible assets	33.1	31.5	29.9	28.0	25.7	24.1	22.2	21.1	21.0	
Loss (Gain) on disposition of property, plant and equipment and related costs	(167.9)	(169.9)	(171.2)	(1.4)	(1.3)	(0.5)	(1.6)	(1.6)	(1.6)	
Change in fair value of derivatives	-	-	-	1.2	-	-	-	-	-	
Non-recurring advisory, legal and restructuring costs	7.5	6.6	5.8	3.5	0.9	4.2	3.9	3.9	3.9	
Related tax effects of the above	1.9	1.8	3.2	(20.3)	(20.0)	(23.3)	(23.7)	(20.5)	(17.2)	
Change in uncertain tax provision - tax effect	-	-	-	-	1.5	1.5	7.8	7.8	6.2	
Adjusted return	\$ 283.1	\$ 273.8	\$ 265.9	\$ 242.7	\$ 245.6	\$ 250.4	\$ 241.0	\$ 232.8	\$ 227.8	
Short-term debt - opening balance	\$ 18.5	\$ 35.2	\$ 25.9	\$ 29.1	\$ 20.3	\$ 22.0	\$ 33.1	\$ 4.7	\$ 5.8	
Short-term debt - ending balance	1.6	8.6	22.1	6.1	18.5	35.2	25.9	29.1	20.3	
Average short-term debt	10.1	21.9	24.0	17.6	19.4	28.6	29.5	16.9	13.1	
Long-term debt - opening balance	633.7	636.5	636.7	636.7	632.6	632.0	630.5	645.5	689.3	
Long-term debt - ending balance	637.3	644.4	1,582.0	1,737.4	633.7	636.5	636.7	636.7	632.6	
Less: long-term debt in escrow	-	-	(939.8)	(933.5)	-	-	-	-	-	
Adjusted ending long-term debt	637.3	644.4	642.2	803.9	633.7	636.5	636.7	636.7	632.6	
Average long-term debt	635.5	640.5	1,109.4	1,187.1	633.2	634.3	633.6	641.1	661.0	
Adjusted average long-term debt	635.5	640.5	639.5	720.3	633.2	634.3	633.6	641.1	661.0	
Stockholders' equity - opening balance	1,061.9	1,056.3	1,005.5	1,007.2	959.5	899.1	839.8	901.8	838.2	
Stockholders' equity - ending balance	1,238.8	1,244.1	1,225.0	1,070.7	1,061.9	1,056.3	1,005.5	1,007.2	959.5	
Average stockholders' equity	1,150.4	1,150.2	1,115.3	1,039.0	1,010.7	977.7	922.7	954.5	898.9	
Average invested capital	\$ 1,796.0	\$ 1,812.6	\$ 2,248.7	\$ 2,243.7	\$ 1,663.3	\$ 1,640.6	\$ 1,585.8	\$ 1,612.5	\$ 1,573.0	
Adjusted average invested capital	\$ 1,796.0	\$ 1,812.6	\$ 1,778.8	\$ 1,776.9	\$ 1,663.3	\$ 1,640.6	\$ 1,585.8	\$ 1,612.5	\$ 1,573.0	
ROIC	17.0 %	16.2 %	13.4 %	6.8 %	10.2 %	11.2 %	11.1 %	10.5 %	11.0 %	
Adjusted ROIC	15.8 %	15.1 %	14.9 %	13.7 %	14.8 %	15.3 %	15.2 %	14.4 %	14.5 %	

- (1) Please refer to pages 54-56 for a summary of adjusting items during the trailing twelve months for each quarter presented above.
- (2) ROIC is calculated as net income attributable to stockholders divided by average invested capital. We calculate average invested capital as the average short-term, long-term debt and average stockholders' equity over a trailing twelve months period.
- (3) Adjusted ROIC is calculated as adjusted return divided by adjusted average invested capital.
- (4) 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 Non-GAAP Measures

In 2021, we began adjusting for share-based payment expenses, amortization of acquired intangible assets and all gains or losses on disposition of property, plant and equipment, which we did not consider to be part of our normal operating results. These adjustments in 2021 have been applied retrospectively to all periods presented.

### Adjusting items during the trailing twelve months ended September 30, 2022 were:

#### *Recognized in the third quarter of 2022*

- \$8.8 million share based payments expense.
- \$2.0 million of acquisition-related costs primarily relating to the share-based continuing employment costs for the acquisitions of Rouse and SmartEquip.
- \$8.2 million amortization of acquired intangible assets primarily from the acquisitions of Iron Planet, SmartEquip, and Rouse.
- \$0.9 million loss on disposition of property, plant and equipment and related costs includes a \$1.3 million non-cash cost in the quarter relating to the adjustment made to recognize the Bolton property sale proceeds at fair value when calculating the \$169.0 million gain on the Bolton property in the first quarter of 2022, offset by \$0.3 million gain on disposition of property, plant and equipment in the quarter.
- \$1.5 million of non-recurring advisory, legal and restructuring costs, which include \$1.1 million of terminated and ongoing transaction and legal costs relating to mergers and acquisition activity, \$0.3 million of severance and retention costs in connection with the restructuring of our information technology team during the first quarter of 2022, driven by our strategy to build a new digital technology platform, and \$0.1 million of advisory costs relating to a cybersecurity incident detected in the fourth quarter of 2021.

#### *Recognized in the second quarter of 2022*

- \$13.6 million share based payments expense.
- \$3.4 million of acquisition-related costs related to the proposed acquisition of Euro Auctions and the completed acquisitions of SmartEquip and Rouse.
- \$8.4 million amortization of acquired intangible assets primarily from the acquisitions of Iron Planet, SmartEquip, and Rouse.
- \$1.2 million gain on disposition of property, plant and equipment and related costs includes a \$1.3 million non-cash cost in the quarter relating to the adjustment made to recognize the Bolton property sale proceeds at fair value when calculating the \$169.0 million gain on the Bolton property in the first quarter of 2022, and \$0.1 million gain on disposition of property, plant and equipment in the quarter.
- \$9.7 million loss on redemption of the 2021 Notes and certain related interest expense includes (a) \$4.8 million of loss on redemption of the 2021 Notes due to a difference between the reacquisition price of the 2021 Notes and the net carrying amount of the extinguished debt (primarily the write off of the unamortized debt issuance costs), (b) \$0.7 million of deferred debt issuance costs written off due to the expiry of the undrawn \$205.0 million DDTL Facility in the quarter, and (c) non-recurring interest expense of \$4.2 million incurred in the quarter relating to the 2021 Notes, which were redeemed as a result of the discontinued Euro Auctions acquisition in April 2022.
- \$1.1 million of non-recurring advisory, legal and restructuring costs, which include \$0.6 million of terminated and ongoing transaction and legal costs relating to mergers and acquisition activity, \$0.3 million of severance and retention costs in connection with the restructuring of our information technology team driven by our strategy to build a new digital technology platform, and \$0.2 million of advisory costs relating to a cybersecurity incident detected in the fourth quarter of 2021.

***Recognized in the first quarter of 2022***

- \$5.4 million share based payments expense.
- \$8.5 million amortization of acquired intangible assets primarily from the acquisitions of Iron Planet, SmartEquip, and Rouse.
- \$169.8 million gain recognized on the disposition of property, plant and equipment of which \$169.1 million related to the sale of a property located in Bolton, Ontario.
- \$9.6 million of acquisition-related costs related to the proposed acquisition of Euro Auctions and the completed acquisitions of SmartEquip and Rouse.
- \$1.3 million gain due to the change in fair value of derivatives to manage our exposure to foreign currency exchange rate fluctuations on the purchase consideration for the proposed acquisition of Euro Auctions.
- \$2.3 million of non-recurring advisory, legal and restructuring costs, which include \$0.9 million related to severance and retention costs in connection with the restructuring of our information technology team driven by our strategy to build a new digital technology platform, \$0.5 million of terminated and ongoing transaction and legal costs relating to mergers and acquisition activity, \$0.4 million of SOX remediation costs, and \$0.6 million of advisory costs relating to a cybersecurity incident detected in the fourth quarter of 2021.

***Recognized in the fourth quarter of 2021***

- \$6.2 million share based payments expense.
- \$7.9 million amortization of acquired intangible assets primarily from the acquisitions of Iron Planet, SmartEquip, and Rouse.
- \$14.0 million of acquisition-related costs related to the proposed acquisition of Euro Auctions and the completed acquisitions of SmartEquip and Rouse.
- \$0.1 million gain recognized on the disposition of property, plant and equipment
- \$1.3 million loss due to the change in fair value of derivatives to manage our exposure to foreign currency exchange rate fluctuations on the purchase consideration for the proposed acquisition of Euro Auctions.
- \$2.6 million of non-recurring advisory, legal and restructuring costs, which include \$1.4 million of terminated and ongoing transaction and legal costs relating to mergers and acquisition activity, \$0.7 million of SOX remediation costs relating to our efforts to remediate the material weaknesses identified in 2020, and \$0.5 million of advisory costs relating to a cybersecurity incident detected in the fourth quarter of 2021.

**Adjusting items during the trailing twelve months ended September 30, 2021 were:**

***Recognized in the third quarter of 2021***

- \$5.6 million share based payments expense.
- \$6.6 million amortization of acquired intangible assets primarily from the acquisitions of Iron Planet and Rouse.
- \$10.3 million of acquisition-related costs related to the acquisitions of Rouse, and SmartEquip and proposed acquisition of Euro Auctions.
- \$1.1 million gain recognized on the sale of a property in Denver, Colorado.
- \$0.7 million of non-recurring advisory, legal and restructuring costs related to SOX remediation costs relating to our efforts to remediate the material weaknesses identified in 2020, which has been retrospectively applied to the third quarter of 2021.

***Recognized in the second quarter of 2021***

- \$7.5 million share based payments expense.
- \$6.8 million amortization of acquired intangible assets primarily from the acquisitions of Iron Planet and Rouse.
- \$3.0 million of acquisition-related costs related to the acquisition of Rouse.
- \$0.2 million gain recognized on the disposition of property, plant and equipment
- \$0.2 million of non-recurring advisory, legal and restructuring costs related to SOX remediation costs relating to our efforts to remediate the material weaknesses identified in 2020, which has been retrospectively applied to the second quarter of 2021.

***Recognized in the first quarter of 2021***

- \$3.8 million share based payments expense.
- \$6.6 million amortization of acquired intangible assets primarily from the acquisitions of Iron Planet and Rouse.
- \$2.9 million of acquisition-related costs related to the acquisition of Rouse.

***Recognized in the fourth quarter of 2020***

- \$4.6 million share based payments expense.
- \$5.6 million amortization of acquired intangible assets primarily from the acquisitions of Iron Planet and Rouse.
- \$6.0 million of acquisition-related costs related to the acquisition of Rouse.
- \$1.5 million of current income tax expense recognized related to an unfavourable adjustment to reflect final regulations published in the second quarter of 2020 regarding hybrid financing arrangements.

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

There have been no material changes to our market risk during the nine months ended September 30, 2022 from those disclosed in Item 7A in our Annual Report on Form 10-K for the year ended December 31, 2021, which is available on our website at [www.rbauction.com](http://www.rbauction.com), on EDGAR at [www.sec.gov](http://www.sec.gov), or on SEDAR at [www.sedar.com](http://www.sedar.com).

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

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

Management of the Company, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), have evaluated the effectiveness of the Company’s disclosure controls and procedures as at September 30, 2022. 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 of September 30, 2022, 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.

On November 2, 2021, the Company completed the acquisition of SmartEquip. SEC guidance permits management to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition. The Company is in the process of incorporating SmartEquip into its system of internal control over financial reporting. SmartEquip’s total assets and revenues constituted 7.0% and 1.3%, respectively, of the Company’s total assets and revenues as shown in its consolidated financial statements for the three month period ended September 30, 2022.

#### **Changes in Internal Control over Financial Reporting**

Management, with the participation of the CEO and CFO, concluded that there were no changes in our internal control over financial reporting during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, the Company’s 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, 2021, which is available on our website at [www.rbauction.com](http://www.rbauction.com), on EDGAR at [www.sec.gov](http://www.sec.gov), or on SEDAR at [www.sedar.com](http://www.sedar.com), 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.

There were no material changes in risk factors during the three months or nine months ended September 30, 2022, except as outlined below.

#### Risks Related to the Proposed Acquisition of IAA

**The pendency of our acquisition of IAA or our failure to complete such acquisition could have a material adverse effect on our business, results of operations, financial condition and stock price.**

On November 7, 2022, we entered into an Agreement and Plan of Merger and Reorganization with IAA, US Holdings, Merger Sub 1 and Merger Sub 2 (the “Merger Agreement”), providing for our acquisition of IAA. Consummation of the acquisition is subject to the satisfaction of various conditions, including, among other things, (1) the approval of the issuance of our common shares by the affirmative vote of a majority of the votes cast by holders of our outstanding common shares, (2) the adoption of the Merger Agreement by holders of a majority of the outstanding shares of IAA’s common stock, (3) certain approvals, clearances and/or expirations of waiting periods under applicable antitrust laws and (4) other customary closing conditions.

The acquisition may be delayed, and may ultimately not be completed, due to a number of factors, including the failure to satisfy these conditions to the completion of the acquisition, or the possibility that a material adverse effect on our business or IAA’s business would permit IAA or us, respectively, not to close the acquisition. There is no assurance that all of the various conditions will be satisfied or waived, or that the acquisition will be completed on the proposed terms, within the expected timeframe, or at all. Also, potential litigation filed against us or IAA could prevent or delay the completion of the acquisition or result in the payment of damages following completion of the acquisition.

In the event that the proposed acquisition is not consummated or is materially delayed for any reason, we will have spent considerable time and resources, and incurred substantial costs related to the acquisition, many of which must be paid even if the acquisition is not completed. If the acquisition is not completed, our business and stockholders would be exposed to additional risks, including, but not limited to:

- to the extent that the market price of our common shares reflects an assumption that the acquisition will be completed, the price of our common shares could decrease if the acquisition is not completed;
- investor confidence could decline, litigation could be brought against us, relationships with existing and prospective sellers, customers, service providers, investors and other business partners may be adversely impacted, we may be unable to retain key personnel, and profitability may be adversely impacted due to costs incurred in connection with the pending acquisition; and
- the requirement that we pay a termination fee of \$189 million if the Merger Agreement is terminated under certain circumstances.

Also, during the period prior to the closing of the acquisition, our business will be exposed to certain inherent risks due to the potential impact of the announcement or pendency of the acquisition on our business, financial condition and operating results, including, but not limited to:

- the possibility of disruption to our business and operations, including diversion of management attention and resources;

- the inability to attract and retain key personnel, and the possibility that our current employees could be distracted and their productivity decline, due to uncertainty regarding the pending acquisition;
- the inability to pursue alternative business opportunities or make material changes to our business pending the completion of the acquisition;
- the amount of the costs, fees, expenses and charges related to the acquisition; and
- other developments beyond our control, including, but not limited to, changes in domestic or global economic conditions, capital markets and interest rates that may affect the timing or success of the proposed acquisition.

**While the Merger Agreement is in effect, we are subject to restrictions on our business activities.**

While the Merger Agreement is in effect, we are generally required to use reasonable efforts to conduct our business in the ordinary course in all material respects, and are restricted from taking certain actions set forth in the Merger Agreement without IAA's prior consent. These limitations include, among other things, certain restrictions on our ability to amend our organizational documents, acquire other businesses and assets that would reasonably be expected to delay or impair the consummation of the acquisition, dispose of certain assets, reclassify or issue certain securities, and pay dividends (other than our regular quarterly dividend). These restrictions could prevent us from pursuing strategic business opportunities and taking actions with respect to our business that we may consider advantageous and may, as a result, materially and adversely affect our business, results of operations and financial condition.

**We may experience difficulties in integrating our operations with those of IAA and realizing the expected benefits of the acquisition.**

The success of the proposed acquisition of IAA, if completed, will depend in part on our ability to realize the anticipated business opportunities and cost synergies from combining with IAA in an efficient and effective manner. We may not realize these business opportunities and cost synergies to the extent expected or at all. Further, our management might have its attention diverted while trying to integrate operations and corporate and administrative infrastructures. The post-closing integration process could take longer than anticipated and could result in the loss of key employees, the disruption of each company's ongoing businesses, tax costs or inefficiencies, or inconsistencies in standards, controls, information technology systems, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, employees or other third parties, or our ability to achieve the anticipated benefits of the transaction, and could harm our financial performance. If we are unable to successfully or timely integrate the operations of IAA's business with our business, we may incur unanticipated liabilities and be unable to realize the revenue growth, synergies and other anticipated benefits resulting from the proposed transaction, and our business, results of operations and financial condition could be adversely affected.

**We will incur a substantial amount of debt to complete the acquisition, which could have a material adverse effect on our business, cash flows and financial condition.**

We will incur significant debt to complete the acquisition of IAA including borrowing up to \$2.8 billion under the Bridge Loan Facility or pursuant to other permanent financing that replaces such facility, which may include the issuance of debt securities and/or one or more senior term loan facilities. We will also have a \$750 million Backstop Revolving Facility in place immediately following the acquisition. Our ability to make payments on our debt, fund our other liquidity needs and make planned capital expenditures will depend on our ability to generate cash in the future. Our historical financial results have been, and we anticipate that our future financial results will be, subject to fluctuations. Our ability to generate cash is subject in part to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot guarantee that our business will generate sufficient cash flow from our operations or that future borrowings will be available to us in an amount sufficient to enable us to make payments of our debt, fund other liquidity needs and make planned capital expenditures. If our cash flows and capital resources are insufficient to fund debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. The degree to which we are currently leveraged and will be leveraged following the completion of the acquisition of IAA could have important consequences for stockholders. For example, it could:

- limit our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- require us to dedicate a substantial portion of our cash flow from operations to the payment of debt service, reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions, dividends and other corporate purposes;
- increase our vulnerability to general adverse economic or industry conditions;
- expose us to the risk of increased interest rates for any borrowings at variable rates of interest;

- limit our flexibility in planning for and reacting to changes in our industry; and
- place us at a competitive disadvantage compared to businesses in our industry that have less debt.

Additionally, our debt agreements, including any agreements that we may enter into in connection with the proposed acquisition of IAA, may contain a number of covenants that impose operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interests. Any failure to comply with covenants in the instruments governing our debt could result in an event of default which, if not cured or waived, would have a material adverse effect on us.

**Significant costs have been incurred and are expected to be incurred in connection with the consummation of the acquisition of IAA.**

We expect to incur one-time costs in connection with integrating our operations, products and personnel with those of IAA, in addition to costs related directly to completing the acquisition. Additional unanticipated costs may be incurred as we integrate our business with IAA following the closing. Although we expect the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of our operations with IAA, may offset incremental transaction and transaction-related costs over time, this net benefit may not be achieved in the near term or to the extent anticipated.

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

None.

**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.

<b>Exhibit Number</b>	<b>Document</b>
10.1*	Strategic Alliance and Remarketing Agreement, entered into as of August 29, 2016, by and between the Company, IronPlanet, Inc. and Caterpillar, Inc.
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 September 30, 2022, 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 September 30, 2022, formatted in Inline XBRL and contained in Exhibit 101

\* Portions of this exhibit have been redacted in compliance with Item 601(b)(10) of Regulation S-K.

**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: November 7, 2022

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

Dated: November 7, 2022

By: /s/ Eric Jacobs  
Eric Jacobs  
*Chief Financial Officer*

## Exhibit 10.1

**CERTAIN IDENTIFIED INFORMATION MARKED WITH “[\*\*\*]” HAS BEEN OMITTED FROM THIS DOCUMENT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.**

## **STRATEGIC ALLIANCE AND REMARKETING AGREEMENT**

This **STRATEGIC ALLIANCE AND REMARKETING AGREEMENT** (“**Agreement**”) is entered into as August 29, 2016 (the “**Execution Date**”) by and between **RITCHIE BROS. AUCTIONEERS INCORPORATED**, a Canadian corporation having its principal place of business at 9500 Glenlyon Parkway, Burnaby, British Columbia, V5J 0C6 (“**RBA**”), on behalf of itself and its other wholly-owned subsidiaries (collectively, “**RCC**”), **IRONPLANET, INC.**, a Delaware corporation having its principal place of business at 3825 Hopyard Road, Suite 250, Pleasanton, CA 94588, solely for purposes of Sections 3, 7, 8 and 9 (“**IronPlanet**”), and **CATERPILLAR INC.**, a Delaware corporation having its principal place of business at 100 North East Adams Street, Peoria, IL 61629, on behalf of itself and its wholly-owned subsidiaries (collectively, “**Caterpillar**” and together with RCC, the “**Parties**” and each a “**Party**”).

### **RECITALS**

**WHEREAS**, RBA and IronPlanet are in the business of facilitating the exchange, buying, selling and auctioneering of industrial equipment;

**WHEREAS**, pursuant to an Agreement and Plan of Merger, dated as of the date hereof (the “**Merger Agreement**”), RBA will acquire one hundred percent (100%) of the issued and outstanding capital stock of IronPlanet Holdings, Inc. (“**IP**”), the parent of IronPlanet, upon the Closing (as such term is defined in the Merger Agreement) (the “**Merger**”);

**WHEREAS**, Caterpillar is the world’s leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial turbines and diesel-electric locomotives and has a long history of innovation and using leading edge technology to provide customer solutions to ensure their success;

**WHEREAS**, commencing upon, subject to and contingent upon the occurrence of the Closing, RCC and Caterpillar desire to create a strategic alliance to provide a reliable volume of used CAT equipment to customers through RCC live onsite auctions and online auctions and marketplaces in the countries where RCC does business (the “**Alliance**”); and

**NOW, THEREFORE**, in consideration of the premises and mutual covenants and promises described herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and agreed, RCC and Caterpillar hereby agree as follows:

#### **1. GOVERNING PRINCIPLES**

**1.1 Objectives.** Pursuant to this Agreement, the Parties’ objectives (“**Objectives**”) for the Alliance include, but are not limited to collaborating together to:

- a) Provide Caterpillar’s authorized dealers (“**Cat dealers**”) other relevant channels to sell used Cat equipment;
- b) Serve the used equipment disposition needs of Caterpillar;

- c) Provide Caterpillar with rich data and customer insights to allow Caterpillar to better serve owners and users of equipment branded with a trademark owned by Caterpillar;
- d) Encourage an increased flow of high quality Cat machines for sale through RCC's sales channels;
- e) Drive international growth and operational efficiency for RCC; and
- f) Maintain RCC's neutrality among different equipment manufacturers, dealers and end-users.

**1.2 Cat Customer Advisory Board.** In order to better implement this Agreement and achieve the Objectives, RCC and Caterpillar have established, as of the Effective Date (as defined below) a Cat Customer Advisory Board (the "**Advisory Board**") that will meet in person quarterly during the one (1) year following the Effective Date and semi-annually thereafter during the Term of this Agreement, including any Renewal Term. The Advisory Board shall consist of nine (9) people, comprised of three (3) representatives appointed by Caterpillar, three (3) representatives appointed by RCC and three (3) representatives of Cat dealers, appointed by Caterpillar with input from Cat dealers. As of the Effective Date, the three (3) representatives of Caterpillar are George Taylor, Marketing & Digital Division Vice President, Phil Kelliher, Americas & Europe Distribution Vice President, and Pierre-Alain Masson, Global Rental & Used, and the three (3) representatives of RCC are Ravi Saligram, RCC CEO, Jim Barr, RCC Group President, and Karl Werner, RCC Chief Operations Officer. The Advisory Board shall review and advise on the overall strategic direction of the Alliance as well as monitor Alliance performance against the Objectives and obligations set forth in this Agreement. The Advisory Board shall be responsible for and work together in good faith to execute the following tasks: (i) coordinate, monitor and resolve any issue related to the day-to-day implementation of this Agreement; (ii) identify and address any strategic, tactical or operational issues that may arise from time to time; and (iii) review reported equipment volumes sold through RCC Auctions by Caterpillar and Cat dealers in connection with Caterpillar's obligations under Section 4.12 of this Agreement and each Cat dealer's obligations under the agreement entered into between RCC and the individual Cat dealer relating to RCC's services and the provision of rich customer data ("**Dealer Remarketing Agreement**").

**1.3 Salesforce Engagement.** Within 90 days after the Effective Date, RCC will propose a salesforce engagement plan to the Advisory Board for consideration. The plan will discuss how RCC will coach its salesforce to engage with Cat dealers and educate such salesforce about the Cat dealers' value proposition and business model. The goal of the plan will be for the RCC salesforce and the Cat dealers to develop value-added customer solutions consistent with the Alliance and Objectives. Members of the Advisory Board and RCC will establish a task force to develop specific actions that ensure strong communication and alignment in execution of the adopted plan.

**1.4 Brand.** Caterpillar recognizes that RCC's model is based on brand neutrality and that its marketplaces and auctions attract used equipment from various manufacturers, distributors and customers. Any use by RCC of a brand owned by Caterpillar will be governed by a separate agreement between the Parties. The Parties intend to enter into such an agreement in support of the Alliance.

**1.5** [ \*\*\* ]

**1.6 Preferred Status.**

- a) During the Term or any Renewal Term of this Agreement, RCC shall be designated as a "preferred" but nonexclusive provider of online and on-site auction services by Caterpillar as provided in this Agreement. In consideration of such designation and in accordance with the terms of this Agreement, RCC shall provide use of its sites (physical and online) to Caterpillar and Cat dealers on which Caterpillar and Cat dealers can consign, list and advertise equipment and other items for sale to potential buyers, as further described below, on a commission rate structure that is a discount to RCC's standard rates and as further described in Section 4.4.
- b) Subject to the terms of Section 4.12 of this Agreement, RCC shall designate Cat Financial and Cat Insurance as "preferred" but nonexclusive providers of financial and insurance products that purchasers of equipment branded with a trademark owned by Caterpillar may desire or require, provided that Cat Financial (i) offers financial terms that are equal to or better than other providers, (ii) pays the same fees paid by other providers, (iii) integrates into the Ritchie Bros. Financial Services' ("**RBFS**") platform and (iv) maintains the same standards of service required of other lenders on the RBFS platform (e.g., timeliness of credit decision).

- c) Subject to the terms of Section 4.12 of this Agreement, RCC shall include Cat Financial and Cat Insurance products (including powertrain assurance programs) in its RBFS and RCC offerings, as applicable, for all equipment, provided that Cat Financial (i) pays the same fees paid by other providers, (ii) integrates into the RBFS platform and (iii) maintains the same standards of service required of other lenders on the RBFS platform (e.g., timeliness of credit decision).
- d) RCC agrees to designate Cat dealers as preferred service providers for the servicing of equipment branded with a trademark owned by Caterpillar to the extent RCC uses an outside or non-RCC service provider for such servicing.

**1.7 Mascus.** In order to help grow Mascus and build deeper relationships between Mascus and Cat dealers, RCC will provide volume discounts to Caterpillar and Cat dealers (through Dealer Remarketing Agreements) on Mascus advertising and syndication worldwide. Specifics of such discounts will be agreed between the parties and based on analysis of current aggregate Caterpillar and Cat dealer Mascus volume, with more substantial discounts on incremental volume. Caterpillar will strive to support RCC's building of the Mascus business in North and South America through RCC creation and marketing of a Mascus advertising program to Caterpillar, Cat Financial and Cat dealers. RCC will strive to support CatUsed.com up to and including RCC running CatUsed.com on behalf of Caterpillar, as agreed between the Parties.

**2. SCOPE OF AGREEMENT.** This Agreement is a "master" form of contract that will allow the parties to contract for equipment auction and listing services, to enter into marketing programs as agreed upon by the parties, and to exchange commercial data as more specifically described herein.

### **3. EFFECTIVENESS OF AGREEMENT.**

**3.1** This Agreement is executed as of the Execution Date but shall only become effective as set forth in Section 3.2 below.

**3.2** Unless otherwise terminated or voided as provided herein, this Agreement shall become effective upon (the "**Effective Date**") the consummation of the Merger contemplated by the Merger Agreement; provided, however, that (a) if the Merger has not been consummated prior to the End Date (as such term is defined in the Merger Agreement), or (b) the Merger is approved by any regulatory authority on the condition that RCC make any changes to its business (structure, process or otherwise) that may materially impact Caterpillar's value and benefit derived from the Alliance or intents of this Agreement (as determined by Caterpillar in its reasonable discretion), this Agreement shall be null and void and of no further force or effect.

### **4. AUCTION AND LISTING SERVICES.**

**4.1 Standard Terms.** This Agreement incorporates by reference RCC's Seller Terms and Conditions attached hereto as Schedule A ("**Standard Terms**"). Unless otherwise defined, capitalized terms used in this Agreement shall have the same meaning ascribed to them in the Standard Terms. In the event of a conflict between the provisions of this Agreement and the Standard Terms, this Agreement shall control. The terms and conditions of this Agreement and the Standard Terms shall supersede and take precedence over the terms in any Caterpillar purchase order or other ordering document provided to RCC by Caterpillar.

**4.2 Equipment Listings.** The specific details of each equipment listing or consignment shall be separately specified in writing on terms and in a form acceptable to the Parties ("**Equipment Listing Form**"). A sample Equipment Listing Form is attached as Schedule B. Each Equipment Listing Form will include, as appropriate, Caterpillar's contact information, equipment location, list of equipment to be offered for sale, contact for inspections, lien holder information, and payment instructions. Caterpillar has the option of outlining each equipment listing or consignment in a separate Equipment Listing Form or via a Caterpillar-generated e-mail or fax that contains the foregoing information regarding the equipment, in each case sent from an authorized representative designated by Caterpillar (a "**Designated Seller Representative**") to RCC's designated corporate office.

**4.3 Affiliates.** This Agreement covers the provision of services by RCC and its corporate affiliates in any geographic area in which RCC or its corporate affiliates conduct business. Accordingly, this Agreement represents a vehicle

by which Caterpillar and its corporate affiliates can efficiently contract with RCC and its corporate affiliates in any geographic area in which RCC or its corporate affiliates conducts business for online marketplace services and live, on-site auction services. Any affiliate of RCC or Caterpillar may enter into Equipment Listing Forms outlining equipment to be placed for sale, and the terms, conditions and rights in this Agreement shall be incorporated into the Equipment Listing Form and be binding on such affiliate. For greater certainty, any consignment of equipment to an RB Channel (as defined below) would be made with the RCC corporate affiliate operating in the corresponding country of the specific auction. The term “**affiliate**” shall mean all entities controlling, controlled by or under common control with a Party. The term “**control**” shall mean the ability to vote fifty percent (50%) or more of the voting securities of any entity or otherwise having the ability to influence and direct the policies and direction of an entity.

#### **4.4 Commission Rate.**

- a) During the Term of this Agreement, Caterpillar is entitled to the fixed, volume-based commission rates set forth on Schedule C for all consignments sold through RCC’s online auctions and marketplaces (“**Auction Sites**”) and/or RCC’s live, on-site auction marketplaces (“**Live Auctions**”, and together with Auctions Sites, “**RCC Auctions**”). For the avoidance of doubt, the term “RCC Auctions” shall not include any closed sales channels among Caterpillar and Cat dealers.
- b) Notwithstanding the foregoing, Caterpillar is entitled to a maximum commission rate of [ \*\*\* ]% for all consignments sold via closed sales channels among Caterpillar and Cat dealers conducted through RCC Auctions during the Term.
- c) Ninety (90) days in advance of the expiration of the Term and any Renewal Term, the Parties will review the commission rates and Caterpillar Volume then in effect and negotiate in good faith potential rate or Caterpillar Volume increases or decreases in determining the Caterpillar Volume and rates that will apply during the succeeding Renewal Term. When negotiating such rates, the Parties will consider factors such as RCC costs, industry commission rate benchmarking, and the incremental value that Caterpillar and Cat dealers have brought RCC to the extent they exceeded the Caterpillar Volume in the prior Term or Renewal Term. In no event shall such rates increase by more than [ \*\*\* ] ([ \*\*\* ]) basis points over the rates for the initial Term nor, in respect of the next Renewal Term, by more than a further [ \*\*\* ] ([ \*\*\* ]) basis points over the rates for the first Renewal Term. If the Parties cannot agree on the Caterpillar Volume for the Renewal Term, the Caterpillar Volume for such Renewal Term shall be [ \*\*\* ] percent ([ \*\*\* ]%).

**4.5 Listing Fee.** As set forth in the Standard Terms, a listing fee (“**Listing Fee**”) is charged for each item of equipment inspected by RCC in advance of an RCC Auction. Caterpillar will be charged the prevailing Listing Fee at the time of each equipment Listing. Listing fees shall only be revised annually and any such revisions will be communicated to Caterpillar no later than thirty (30) days prior to such revised Listing Fees taking effect. To the extent equipment is not inspected by RCC in advance of an RCC Auction, no Listing Fee will be charged.

**4.6 Out-of-Pocket Expenses.** RCC shall be reimbursed for all pre-approved out-of-pocket expenses related to the sale of equipment consigned by Caterpillar for RCC Auction, including, but not limited to, refurbishment, repair, painting, cleaning, and moving and storage charges necessary for the sale of the equipment.

**4.7 Reporting and Payment to Caterpillar.** No later than seven (7) days after the RCC Auction, RCC shall issue to Caterpillar a settlement report (the “**Settlement Report**”) that will set forth in detail information regarding the sale of equipment and the allocation of the funds, subject to open items or uncollected accounts, if any. The Settlement Report also will set forth all reimbursable expenses. The sale of equipment shall be on a cash only basis. In the event of non-payment by a buyer, RCC may cancel the sale, enforce payment by the buyer, or sell the equipment and take any other action permitted by law. In addition, RCC shall be granted a security interest in such equipment to secure any amounts owed to RCC including any amounts advanced to Caterpillar by RCC for which the proceeds have not been collected from the buyer.

**4.8 Timing of Proceeds from Sales of Equipment.** Payment of proceeds from sales of equipment shall be made to Caterpillar as set forth in the Standard Terms.

**4.9 Certification of Liens and Encumbrances.** For each equipment listing, Caterpillar shall provide RCC with information (name and contact information) regarding outstanding liens or encumbrances on such equipment at the time of listing. Unless as otherwise disclosed at the time of such equipment listing, Caterpillar shall be deemed to have certified that the equipment is or shall be free of all liens and encumbrances prior to being placed for auction with RCC. Caterpillar hereby authorizes RCC to contact potential lien holders for the disclosure of liens, charges, encumbrances and security interests and to obtain pay-off balances and releases. Caterpillar also consents to the release to RCC of any and all information pertaining to any such lien, charge, encumbrance or security interest by the holder thereof.

**4.10 Titles.** For sales completed on an Auction Site or IP Channel, subject to Caterpillar’s receipt of payment for the equipment, Caterpillar, at its own expense, shall deliver to RCC a bill of sale and such other documentation as may be reasonably necessary to transfer title to the equipment to the buyer. For each consignment of equipment to a live, onsite auction in the RB Channel, Caterpillar, at its own expense, will deliver to RCC all documents as may be reasonably necessary to transfer title to the equipment to the buyer in accordance with the Standard Terms. Caterpillar agrees and acknowledges that pursuant to the Standard Terms, Caterpillar hereby appoints RCC as its attorney-in-fact with a limited power of attorney (“LPOA”) to execute on Caterpillar’s behalf, all documents necessary and required to transfer title to, and permit registration of ownership of, any portion of the equipment to the buyer; provided, however, if original titles or a notarized LPOA are required by state or local regulation to transfer title, Caterpillar shall provide RCC with either, as applicable, (i) signed original titles or (ii) a notarized LPOA and unsigned original titles at least two weeks prior to the sale date. Failure to provide title(s) and/or an LPOA as required will prevent the equipment from being made available for sale until such documentation is provided. For IP Channels, titles shall be sent to: IronPlanet Holdings, Inc., Attn: Title Specialist, 3825 Hopyard Road, Ste. 250, Pleasanton, CA 94588. Phone: 925-225-8800, as such address may be updated from time to time. For RB Channels, titles shall be sent to the local RCC auction office at which the corresponding equipment will be sold.

**4.11 Currency and Payment.** All prices noted in this Agreement are listed in U.S. Dollars. Other than equipment Listing Forms entered into in respect of Live Auctions through RB Channels: (a) Equipment Listing Forms entered into with Caterpillar in the U.S. will be invoiced and paid in U.S. Dollars; (b) Equipment Listing Forms entered into with Caterpillar in Canada will be invoiced and paid in Canadian Dollars; (c) Equipment Listing Forms entered into with Caterpillar in Europe will be invoiced and paid in Euros; (d) Equipment Listing Forms entered into with Caterpillar in the United Kingdom will be invoiced and paid in Pounds Sterling; (e) Equipment Listing Forms entered into with Caterpillar in Australia will be invoiced and paid in Australian Dollars; and (f) Equipment Listing Forms entered into with Caterpillar in a country other than the U.S., Canada, the UK, Australia or country within Europe will be invoiced and paid in U.S. Dollars. Unless otherwise agreed by the Parties in writing, Equipment Listing Forms entered into with RCC in respect of Live Auctions through RB Channels will be invoiced and paid in the local currency of the applicable RCC office, except in the case of Mexico, Panama, and the United Arab Emirates which will be invoiced and paid in U.S. Dollars.

**4.12 Caterpillar Volume Commitments.**

a) **Commitment.** From time to time Caterpillar and Cat dealers may choose to dispose of equipment via public online or on-site auctions in the following jurisdictions: North America (United States, Canada and Mexico); the United Kingdom (England, Scotland, Wales and Northern Ireland); Australia; the Middle East (Turkey, Israel, Saudi Arabia, United Arab Emirates, Egypt, Iraq, Yemen, Jordan, Palestine, Lebanon, Oman, Kuwait, Qatar and Bahrain); or the European Union (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden) (“**Total Volume**”). Of the Total Volume, Caterpillar agrees that the following percentages of equipment, as calculated per below, shall be disposed of through RCC Auctions (“**Caterpillar Volume**”):

2017	2018	2019	2020
[ *** ]%	[ *** ]%	[ *** ]%	[ *** ]%

For the avoidance of doubt and for purposes of the Total Volume definition, public online or on-site auctions do not include closed auctions among Caterpillar and/or Cat dealers.

- b) **Calculation.** The Caterpillar Volume will reflect, in the aggregate, the percent of equipment as compared to the Total Volume that Caterpillar and Cat dealers sell through RCC Auctions. Within sixty (60) days of the end of each calendar year, as set forth in the table above, Caterpillar will report to RCC the Caterpillar Volume as a percent of the Total Volume. When calculating the Caterpillar Volume, Caterpillar will consider the percent of dollars represented by the Total Volume.
- c) **Effect of Caterpillar Volume Commitments.** To the extent Caterpillar fails to achieve the Caterpillar Volume in any calendar year, RCC may, subject to the terms hereof, (i) revoke Caterpillar's access to the Tool granted in Section 6.1, (ii) discontinue provision of the Information set forth in Section 6.2, and/or (iii) only to the extent Caterpillar fails to cure as set forth in Section 4.12(d), terminate this Agreement in accordance with Section 7. The Parties agree that the remedies set forth herein are the exclusive RCC remedies for failure by Caterpillar to achieve the Caterpillar Volume and such failure shall not be considered grounds to claim damages for breach. RCC further agrees not to revoke Caterpillar's access to the Tool granted in Section 6.1 or discontinue providing Information set forth in Section 6.2 to Caterpillar (the "**Data Remedies**") for the first twelve (12) months following the Effective Date, regardless of the Caterpillar Volume commitments set forth in this Section 4.12. For the avoidance of doubt, RCC taking action on the Data Remedies shall not affect Caterpillar's rights in the Information, granted pursuant to Section 6.3, previously received, extracted, used, reviewed, shared, distributed, transferred, analyzed or processed and shall also not affect Caterpillar rights in any derivative works made therefrom.
- d) **Caterpillar Cure.** To the extent Caterpillar fails to meet the Caterpillar Volume commitment for a calendar year, RCC agrees that before RCC may take action on any of the remedies set forth in Section 4.12(c), the Advisory Board shall meet within thirty (30) days after determination of such failure to discuss in good faith waiving or modifying the Caterpillar Volume commitment for that year or granting Caterpillar the opportunity to achieve the Caterpillar Volume with an extended timeline. Following such Advisory Board meeting, RCC shall provide Caterpillar with at least thirty (30) days' prior written notice before it takes action on the Data Remedies. RCC shall resume sharing data pursuant to its commitments under Section 6 immediately following Caterpillar achieving the Caterpillar Volume percentage for the then current year as set forth in Section 4.12(a) for the three (3) months following RCC's actions regarding the Data Remedies.
- e) **Cat dealers.** Caterpillar understands that RCC will require a minimum volume commitment from Cat dealers as further described in Section 4.14 as a condition to granting Cat dealers access to certain data elements. Caterpillar further understands that such requirements will be agreed between RCC and each Cat dealer that agrees to so contract with RCC in a Dealer Remarketing Agreement or other such agreement.

**4.13 Volume Commitment Audit Rights.** RCC shall have the right to audit Caterpillar's reporting of Caterpillar Volume through the use of a "clean team" which will be comprised of independent outside consultants that do not interact with Caterpillar and are not involved with the Alliance and Objectives. Such consultants will review Caterpillar's methodology for creating the reports, together with the data and records used in generating the reports. Such consultant will be engaged to perform such work and share only their conclusions with RCC, not Caterpillar's internal business processes and reporting procedures.

**4.14 Dealer Volume Requests.** Caterpillar understands that RCC will require Cat dealers that choose to enter into a Dealer Remarketing Agreement to sell greater than [ \*\*\* ] of equipment sold through RCC Auctions (for greater certainty, excluding the use of non-transactional listing services), [ \*\*\* ]. RCC will agree in the Dealer Remarketing Agreement not to revoke Cat dealers' access to the data provided thereunder for the first twelve (12) months following the effective date of such agreement, regardless of the Cat dealer's volume commitments. For the avoidance of doubt, Caterpillar makes no commitments to RCC about the volume of equipment Cat dealers will sell through RCC Auctions.

**4.15 Auction Locations.** For Live Auctions where RCC does not have a permanent location, RCC shall seek to use Cat dealer sites when appropriate. Additionally, in preparation for Live Auctions and at RCC's locations, RCC will use equipment branded with a trademark owned by Caterpillar as its preferred equipment.

**4.16 Cat Parts.** RCC will use genuine Cat parts for servicing equipment branded with a trademark owned by Caterpillar that is (a) used in RCC's operations or (b) in RCC's care, to the extent RCC may select the brand of parts to use. RCC will encourage sellers and buyers at RCC Auctions to select Cat parts for service.

## **5. MARKETING.**

**5.1** RCC will provide Caterpillar with preferred access for marketing opportunities such as the following, which opportunities RCC agrees will also be reflected in the Dealer Remarketing Agreement with each Cat dealer that chooses to so contract with RCC:

- a) Prominent signage, in conformance with Caterpillar brand standards;
- b) Warranty sale opportunities;
- c) Ability to promote service offerings; and
- d) Ability to promote finance offerings (for Caterpillar consistent with Section 1.6).

**5.2** RCC will work with Caterpillar and Cat dealers to help drive demand for new sectors (such as power generation) in both the IP Channels and RB Channels.

**5.3** The Parties shall review and discuss adoption of additional marketing programs that may include: (a) additional lead generation and co-marketing arrangements; (b) appropriate business intelligence gathering and sharing; and (c) direct marketing programs to the Caterpillar's and RCC's customer bases.

**5.4** Caterpillar will assist RCC (a) with verification of emissions regulatory status of certain serial numbers and (b) by connecting RCC with Cat dealers to purchase appropriate decals for equipment. RCC is ultimately responsible for confirming an item's regulatory status and the placement of appropriate decals.

**5.5** Caterpillar will provide RCC with publicly available product information and specifications so RCC can better market equipment branded with a trademark owned by Caterpillar.

**5.6** RCC and Cat dealers will work together to create a "welcome kit" to encourage winning bidders to become Cat dealer customers.

## **6. DATA SHARING.**

**6.1 Tool.** RCC will provide Caterpillar with access to the Dealer Portal (the "**Tool**"), which shall be an access point to certain applications including the IronPlanet Auction Pricing Tool. Such access shall be provided through the Internet at a web address to be provided by RCC. RCC hereby grants Caterpillar a worldwide, fully paid up, royalty free, non-exclusive, license to access the Tool. The Tool provides the following data related to equipment sales: Year, Make, Model, Sales Price, Serial Number, Date of Sale, Buyer Location and Description of the equipment.

**6.2 Data.** Pursuant to the data licenses below and in addition to access to the data set forth in the Tool, RCC shall in accordance with Sections 6.4(a) and 6.4(b) provide Caterpillar with the following information (together with the data set forth in the Tool, the "**Information**"):

- a) In respect of all equipment branded with a trademark owned by Caterpillar ("**Cat Branded Equipment**"), Customer Information (as defined below) for:
  - i) [\*\*\*], together with the [\*\*\*] and [\*\*\*], for such Cat Branded Equipment sold through an Auction Site that was previously owned by IP, a Live Auction of the type previously run by IP or any other online marketplace previously owned by IP (the "**IP Channels**") or any other equipment sale marketplace that is not within the IP Channels ("**RB Channels**"); and
  - ii) [\*\*\*] for such Cat Branded Equipment sold through IP Channels or RB Channels, provided that in the context of a live on-site auction within the IP Channels or RB Channels, RCC agrees to provide the information set forth in this section 6.2(a)(ii) only to the extent RCC collects such information;
- b) In respect of all equipment consigned by Caterpillar or a Cat dealer ("**Cat Consigned Equipment**"), Customer Information for:

- i) [ \*\*\* ], together with the [ \*\*\* ] and [ \*\*\* ], for such Cat Consigned Equipment sold through IP Channels or RB Channels; and
  - ii) [ \*\*\* ] for such Cat Consigned Equipment sold through IP Channels or RB Channels, provided that in the context of a live on-site auction within the IP Channels or RB Channels, RCC agrees to provide the information set forth in this Section 6.2(b)(ii) only to the extent RCC collects such information.
- c) A one-time report with [ \*\*\* ] of equipment branded with a trademark owned by Caterpillar and sold through the RB Channels; and
- d) (A) Inspection and condition reports for all equipment branded with a trademark owned by Caterpillar regardless of the channel to the extent RCC conducts an inspection; and (B) Inspection and condition reports for all equipment consigned by Caterpillar or a Cat dealer regardless of the channel to the extent RCC conducts an inspection.

“**Customer Information**” shall mean: [ \*\*\* ].

RCC further agrees that the Information it will provide Caterpillar under Section 6.2(a) regarding equipment branded with a trademark owned by Caterpillar shall be provided to Caterpillar exclusively, provided RCC shall not be restricted from sharing such information with the consignor of the specific equipment or from using the Information for its business operations in the ordinary course.

- 6.3 License.** RCC further grants Caterpillar a worldwide, perpetual, fully paid up, royalty free, non-exclusive, irrevocable, transferable license to receive, use, review, share, distribute and make derivative works from Information. For the avoidance of doubt, Caterpillar may use, distribute, transfer, analyze and process the Information, including through the use of third party processors. The license set forth in this Section 6.3 is intended to grant such rights in the Information to Caterpillar for use in Caterpillar’s internal business purposes which, for the avoidance of doubt, includes, without limitation, (a) incorporating or integrating such data into products and services that Caterpillar sells to customers, either directly, through Cat dealers or by other means, provided that the data is not being sold on a standalone basis as a data set regardless of form, (b) incorporating such data into products and services used by Cat dealers, (c) business intelligence, and (d) marketing.

For the avoidance of doubt, this Section 6.3 does not restrict RCC’s rights to use the Information for its internal business purposes or from developing services and products (for which it may derive a fee) that utilize aggregated Information. Further, RCC shall not be restricted or prevented (through this Agreement) from entering into similar data sharing arrangements with other customers or manufacturers as it relates to such customers’ or manufacturers’ equipment.

#### **6.4 Data Delivery.**

- a) **Method.** As of the Effective Date and subject to the terms of this Agreement, RCC shall deliver the Information to Caterpillar through the Tool and by such other means as are necessary to fully deliver the Information, as agreed between Caterpillar and RCC. RCC is committed to enhancing the delivery of data directly to Caterpillar through a data feed (or other similar means) and to develop other mutually acceptable means and methods to accelerate the delivery of information where time is of the essence.
- b) **Timing.** For Information that is collected on IP Channels, RCC shall provide such Information to Caterpillar immediately upon the Effective Date. In the case of data collected on RB Channels, RCC shall provide such Information as soon as reasonably practicable for RCC technologically, but no later than one hundred and twenty (120) days following the Effective Date.
- c) **Delivery to Cat dealers Working with IP as of the Execution Date.** Cat dealers that are engaged with IP and receiving certain customer data as of the Execution Date shall continue to receive such data consistent with past practice following the Effective Date. Caterpillar understands that RCC will require Cat dealers to enter into Dealer Remarketing Agreements that include certain terms for such Cat dealers to begin receiving service territory specific data from RCC that is broader than what is received as of the Execution Date. RCC shall be prepared (technologically and otherwise) to commence sharing this broader set of service territory specific data with Cat dealers within one hundred twenty (120) days following the Effective Date.

- d) **Delivery to other Cat dealers.** For Cat dealers not engaged with IP as of the Execution Date but that wish to engage with RCC under a Dealer Remarketing Agreement or otherwise, RCC agrees that such Cat dealers will commence receiving the agreed upon data as soon as possible following execution of the Dealer Remarketing Agreement and being on-boarded by RCC onto the RCC data interface then in effect.

**6.5 Customer Documentation.** RCC will revise its template customer agreements and other related documentation, including its privacy policy, if any and as needed, to reflect the data sharing principals expressed herein such that RCC is permitted in the future to share data consistent with its obligations set forth in this Agreement and as permissible under applicable privacy laws and regulations. To the extent Caterpillar wishes to use data acquired under this Agreement for purposes other than those expressly outlined in this Agreement, Caterpillar will be solely responsible for obtaining such consent from customers as it deems necessary in its discretion.

**6.6 Warranty; Limitation of Liability.** EACH PARTY WARRANTS THAT THE SERVICES IT PROVIDES UNDER THIS AGREEMENT WILL BE PROVIDED IN A PROFESSIONAL MANNER AND TO THE REASONABLE SATISFACTION OF THE RECEIVING PARTY. ADDITIONALLY, EACH PARTY WARRANTS THAT THE INFORMATION IT PROVIDES UNDER THIS AGREEMENT WILL BE PROVIDED IN A PROFESSIONAL MANNER. EXCEPT AS EXPRESSLY PROVIDED IN THE IMMEDIATELY PRECEDING SENTENCES OR AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT OR AN EQUIPMENT LISTING FORM, ALL SERVICES AND INFORMATION PROVIDED BY OR THROUGH THIS AGREEMENT ARE PROVIDED WITHOUT WARRANTIES OF ANY KIND, WHETHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, IMPLIED WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. TO THE FULLEST EXTENT PERMITTED BY LAW AND EXCEPT FOR EITHER PARTY'S BREACH OF THE LICENSES GRANTED TO THE INFORMATION IN SECTION 6.3 OR SECTION 8 OF THIS AGREEMENT, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY SPECIAL, INDIRECT, PUNITIVE, COVER, INCIDENTAL OR CONSEQUENTIAL DAMAGES, HOWEVER CAUSED, WHETHER IN CONTRACT OR TORT OR UNDER ANY OTHER THEORY OF LIABILITY, INCLUDING LOSS OF REVENUE, PROFITS, OR BUSINESS, ANY LOSS OF GOODWILL OR REPUTATION, OR COST OF REPLACEMENT GOODS AND/OR SERVICES, EVEN IF IT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

**6.7 Telematics.**

- a) **Live Auctions.** For Live Auctions, RCC, in compliance with all applicable law, shall use its best reasonable efforts to obtain any necessary consent to place and activate a data transmitter, such as a telematics device ("**Data Transmitter**"), on (i) each piece of equipment listed by Caterpillar or Cat dealers for sale via IP Channels or RB Channels and (ii) each piece of equipment branded with a trademark owned by Caterpillar and listed by others, to the extent the equipment is not already outfitted with such a device. Such request for consent shall be included in RCC's initial documentation with customers or as otherwise agreed between RCC and Caterpillar. For equipment sellers and purchasers that consent to the placement of a Data Transmitter and its activation, RCC would further provide any necessary notice to activate such Data Transmitter so as to collect information from the equipment and transmit the same to Caterpillar. The form of such consent is attached hereto as Schedule D. Notwithstanding anything in this Agreement to the contrary, Caterpillar may amend Schedule D to this Agreement at any time by sending a copy of the revised Schedule D to any RCC representative on the Advisory Board. The amended consent form will be used in replacement of the previously provided consent form no later than thirty (30) days from the date of delivery, and for greater certainty, RCC will be under no obligation to obtain consent from any customers retroactively or for any Live Auctions already in process.
- b) **Auction Sites.** For auctions conducted through the Auction Sites, RCC would provide the purchaser of each piece of equipment purchased via RCC's services with Caterpillar's then current promotion for the installation of a Data Transmitter on such purchased equipment.
- c) **Costs.** Caterpillar and Cat dealers will be responsible for the cost of hardware and installation of Data Transmitters, while RCC will be responsible for the implicit cost of obtaining the necessary consents through its business processes.
- d) **Data Sharing to RCC.** RCC shall be entitled to receive certain data from the equipment sold through the RCC Auctions that RCC causes to become equipped with a Data Transmitter, accompanied by consent as

set forth in Section 6.7(a) from the equipment owner as outlined above and as allowed by applicable law. The data RCC shall receive pursuant to this Section 6.7(d) shall be provided for RCC's internal use (and not for RCC resale) and shall include (i) the machine hours at the later of the activation of the telematics device or the date the equipment is sold using the RCC Auctions and (ii) the location of the equipment 120 days after the date the equipment is sold using the RCC Auctions.

- e) **Audit.** Caterpillar shall have the right at reasonable times and during normal business hours to audit, inspect and copy RCC's records maintained in connection with this Section 6.7, including any consents, notices and other documents.
- f) **Advance Notice.** To allow Caterpillar to effectively market Data Transmitters and other related services to customers, RCC shall provide Caterpillar with a list of equipment serial numbers for equipment that is (i) branded with a trademark owned by Caterpillar or (ii) listed or consigned by Caterpillar or a Cat dealer via RCC's services, at least five (5) days in advance of the applicable RCC Auction for all equipment that has been consigned to such RCC Auction or otherwise as promptly as reasonably practicable.

## 7. TERM AND TERMINATION.

**7.1 Term.** The term ("Term") of this Agreement shall be a five (5) year period commencing on the Effective Date (the "**Initial Term**"). Thereafter, this Agreement will automatically renew for consecutive renewal terms of three (3) years (each, a "**Renewal Term**"), except that if the Caterpillar Volume has not been met for the previous calendar year RCC may elect to terminate subject to compliance with the provisions of Sections 4.12(d) and 7.2. The Parties will make reasonable efforts to resolve any disputes between them. Reasonable efforts shall include the relevant business team, or portions thereof, from each of Caterpillar, RCC and the affected Cat dealer, if appropriate, meeting to attempt to resolve the dispute. To the extent that team cannot come to a resolution of the dispute, the Advisory Board shall meet to attempt to resolve the dispute.

**7.2 Termination.** To the extent the Parties are unable to resolve a dispute, either Party may terminate the Agreement for cause upon not less than twelve (12) months written notice prior to the end of the then-current Initial Term or Renewal Term, as the case may be. The termination of this Agreement shall not affect any right or obligation of a Party that accrues under this Agreement prior to the effective date of the termination of this Agreement. The Parties' rights and obligations under the last sentence of Section 4.12(c) – Effect of Volume Commitments; Section 7 – Term and Termination, Section 8 – Confidentiality, and Section 9 – Miscellaneous will survive termination of this Agreement.

**7.3 Transition Services.** To the extent this Agreement is terminated per Section 7.2, the Parties will work together to devise mechanisms to provide continuity of benefits for a transition and wind-down period (the "**Transition Period**") of up to twenty-four (24) months (at Caterpillar's election, or as few as twelve (12) months if RCC has terminated for cause) following notice of any termination. During the Transition Period, RCC shall: (a) continue to provide auction services and access to the Information as set forth in Section 6; and (b) provide transition services to enable Caterpillar to achieve a smooth transition and avoid disruption while it explores alternative auction solutions. Caterpillar will pay RCC for transition services at RCC's cost plus [ \*\*\* ] percent ([ \*\*\* ]%). During the Transition Period and notwithstanding the terms of Section 6.2, access to the Information shall be provided to Caterpillar on a non-exclusive, royalty free basis. For the sake of clarity, data sharing pursuant to Section 6 and commission rates then in effect shall remain unchanged during the Transition Period, subject to continued observance by Caterpillar of the Caterpillar Volume described in Section 4.12. The Parties shall work cooperatively during the Transition Period to ensure an orderly wind-down and transition.

## 8. CONFIDENTIALITY.

- 8.1** In the spirit of the strategic alliance described in this Agreement, Caterpillar and RCC anticipate disclosing to one another information that each deems to be confidential or proprietary. The receiving Party shall (a) accord Confidential Information (as defined below) received by it from the disclosing Party with the same degree of confidential treatment that it accords its similar proprietary and confidential business and technical information, which shall not be less than the care a reasonable business person would exercise under similar circumstances, (b) use such Confidential Information only as permitted in writing by the disclosing Party or as contemplated in this Agreement, and (c) not disclose any of such Confidential Information to any Person other than its directors, officers, employees, and representatives (collectively “**Representatives**”) who have a need to know in connection with this Agreement.
- 8.2** Notwithstanding any other provision of Section 8.1, the receiving Party may disclose Confidential Information of the disclosing Party, without liability for such disclosure, to the extent that such disclosure is (a) required to be made pursuant to applicable law, government authority, duly authorized subpoena, or court order, in which case the receiving Party will provide prompt notice to the disclosing Party and endeavor to give the disclosing Party an opportunity to respond prior to such disclosure, (b) required to be made to a court or other tribunal in connection with the enforcement of the receiving Party’s rights under this Agreement, or (c) approved by the prior written consent of the disclosing Party.
- 8.3** The rights and obligations under this Section 8 with respect to any Confidential Information will survive for as long as such information continues to qualify as Confidential Information under Section 8.6.
- 8.4** Upon the request of the disclosing Party following the termination of this Agreement, and in accordance with the disclosing Party’s written instructions and at the disclosing Party’s expense, the receiving Party will promptly return or destroy all of the disclosing Party’s Confidential Information in the receiving Party’s possession or control; provided, that the receiving Party may retain a legal file copy and will not be required to destroy electronic back-up copies made in the ordinary course of business, so long as the receiving Party does not use such copies following the termination of this Agreement.
- 8.5** No Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of the other Party; provided, however, that either Party may make any public disclosure it believes in good faith is required by applicable laws, in which case the disclosing Party will use its reasonable efforts to advise the other Party prior to making the disclosure. Notwithstanding any other provision of this Agreement, if RCC believes in good faith that it is required to file or publicly disclose a copy of this Agreement to comply with any applicable disclosure laws or regulations (including any reporting requirement of the Securities Exchange Commission), or any listing requirement of any stock exchange, RCC shall (a) use its reasonable efforts to notify Caterpillar prior to any such filing of this Agreement; (b) use its reasonable efforts to redact pricing and other competitively sensitive terms and conditions of this Agreement as Caterpillar may reasonably request prior to any such filing; and (c) file a confidential treatment request reasonably acceptable to Caterpillar with respect to such redacted document as part of any such filing.
- 8.6** “**Confidential Information**” means any design, specification, idea, concept, plan, copy, formula, drawing, procedure, business process, organizational data, customer or supplier lists, or other business or technical information that the disclosing Party holds confidential or considers proprietary whether oral, written or viewed by audit, in connection with this Agreement. Notwithstanding the foregoing, the term “Confidential Information” does not include any information that (a) was already in the possession of the receiving Party prior to the receipt of the information from the disclosing Party without restriction on its use or disclosure; (b) is or becomes available to the general public through no act or fault of the receiving Party; (c) is rightfully disclosed to the receiving Party by a third party without restriction on its use or disclosure; or (d) is independently developed by the receiving Party without any use of or reference to the disclosing Party’s Confidential Information.
- 8.7** Notwithstanding the foregoing to the contrary, RCC shall be free to use and disclose to persons and entities (a) any information regarding the pricing and specifications of any equipment sold at public auction or available for sale at public auction through Auction Sites and/or Live Auctions to the extent disclosed as part of the auction and provided

to all bidders, and (b) any relevant commercial data from RCC's business, including, but not limited to, market data, real-time public auction pricing, equipment utilization data, and regional sales trend information, so long as such commercial data does not identify Caterpillar and cannot be segmented to separately identify Caterpillar. Further, RCC may share any information regarding any equipment branded with a trademark owned by Caterpillar sold at public auction or available for sale at public auction through Auction Sites and/or Live Auctions with the consignors of such items.

**8.8** Further, in the event that RCC is engaged to provide services to a manufacturer of products competitive with those of Caterpillar, its affiliate, dealers or distributors, then RCC is obligated and will not disclose to Caterpillar confidential commercial information regarding the business of such manufacturers of such products and such manufacturers' dealers and distributors.

## **9. MISCELLANEOUS.**

**9.1 Counterparts.** This Agreement may be executed in counterparts, each of which shall be considered an original, but all of which together shall constitute the same instrument. Execution and delivery of the Agreement may be evidenced by facsimile, PDF (Portable Document Format), or electronic signature and shall hold the same force and effect as an original signature for purposes of binding the Parties.

**9.2 Entire Agreement.** This Agreement constitutes the entire agreement between the Parties regarding their strategic alliance and supersedes any prior understandings, agreements, or representations by the Parties, written or oral, to the extent that they relate in any way to the Alliance. For the avoidance of doubt and only upon the Effective Date, this Agreement supersedes and terminates that certain Master Operating and Remarketing Agreement dated as of April 1, 2015 by and between Caterpillar and IP.

**9.3 Amendment.** This Agreement may be amended or modified only by a writing that is signed by the Parties and that refers explicitly to this Agreement.

**9.4 Succession and Assignment.** This Agreement will be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Neither Party may assign any of its rights or obligations under this Agreement, directly or indirectly, without the prior written consent of the other Party, and any attempt to do so without the required consent will be void and of no effect.

**9.5 No Third Party Beneficiaries.** This Agreement will not confer any rights or remedies upon any Person other than the Parties.

**9.6 Severability.** Any provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction will not affect the validity or enforceability of the remaining provisions of this Agreement or the validity or enforceability of the offending provision in any other situation or in any other jurisdiction. The Parties will attempt in good faith to replace any such invalid or unenforceable provision with a valid and enforceable provision designed to achieve, to the extent possible under applicable laws, the business purpose and intent of such invalid or unenforceable provision.

**9.7 Governing Law.** This Agreement shall be governed by and construed and enforced in accordance with the domestic laws of the State of Delaware without giving effect to any choice or conflict of law rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of laws of any jurisdiction other than the State of Delaware.

**9.8 Forum.** The Parties agree and further acknowledge that any claim, demand or suit made in connection with any lien, claim, demand or suit arising from this Agreement be initiated in the U.S. District Court for the Southern District of New York and that only in the event such federal court is not available may a dispute arising from this Agreement be initiated in any of the Superior Courts in the State of New York. Each Party irrevocably waives, to the fullest extent allowed by applicable law, the defense of an inconvenient forum in any such action or proceeding.

- 9.9 Relationship.** Nothing in this Agreement is to imply an agency, joint venture, partnership, or fiduciary relationship between the Parties. Neither Party is authorized to make any representations or commitments on behalf of the other Party.
- 9.10 Expenses.** Except as otherwise expressly set forth in this Agreement, each Party shall bear all of its own costs and expenses incurred in performing and complying with such Party's obligations related to or arising out of this Agreement.
- 9.11 Force Majeure.** No failure or delay by any Party in the performance of any of its obligations under this Agreement will be deemed a breach of this Agreement or create any liability, if such failure or delay arises from a general strike, labor dispute, lockout, fire, flood, severe weather, or other act of God, war, terrorism, insurrection, civil disturbance, embargoes of goods by any government or any other governmental action, and any such cause will absolve the affected Party from liability for such failure or delay in performing such obligation or responsibility; provided, that the affected Party uses commercially reasonable efforts to avoid or promptly remove such causes of nonperformance and promptly resumes performance when such causes are removed. The affected Party will provide the other Party with prompt written notice describing any failure or delay in performance that occurs by reason of force majeure and stating the estimated delay in performance due to such force majeure. The Parties will remain liable for those obligations under this Agreement that are not affected by the force majeure event.
- 9.12 Waiver.** No waiver by a Party of any provision of this Agreement or any default, misrepresentation, or breach of warranty under this Agreement, whether intentional or not, will be valid unless such waiver is in writing and signed by the Party making such waiver, nor will such waiver be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty under this Agreement or affect in any way any rights arising by virtue of any prior or subsequent such default, misrepresentation, or breach of warranty.
- 9.13 Incorporation of Schedules.** The schedules identified in this Agreement are incorporated in this Agreement by reference and made a part of this Agreement.
- 9.14 Notices.** Any notice, request, instruction, or other document to be given under this Agreement by a Party will be in writing and will be deemed to have been given (a) when received, if given in person or by courier or a reputable courier service (e.g., FedEx, UPS, DHL, etc.), (b) on the date of transmission, if sent by facsimile or other wire transmission including electronic mail (receipt confirmed) or (c) five (5) Business Days after being deposited in the mail, certified or registered, postage prepaid.

If to RCC:

Ritchie Bros.  
 9500 Glenlyon Parkway  
 Burnaby, BC V5J 0C6  
 Attn: Jim Barr  
 Email:  
 Facsimile:

With a copy to:

Ritchie Bros.  
 9500 Glenlyon Parkway  
 Burnaby, BC V5J 0C6  
 Attn: Legal Affairs  
 Facsimile:

If to Caterpillar:

Caterpillar Inc.  
 100 NW Adams  
 Peoria, IL 61629  
 Attn: George H. Taylor, Jr.  
 Email:  
 Facsimile:

With a copy to:

Caterpillar Inc.  
 100 N.E. Adams Street  
 Peoria, Illinois 61629  
 Attn: General Counsel  
 Facsimile:

- 9.15 Construction.** Capitalized terms defined in the singular include the plural and vice versa. The words "include," "includes," and "including" mean include, includes, and including "without limitation." Unless otherwise provided in this Agreement, all references to a "Section" or a "Schedule" are to a Section of or a Schedule attached to this Agreement. Reference to and the definition of any document will be deemed a reference to such document, including any schedules or exhibits to such document, as it may be amended, supplemented, revised, or modified

upon mutual written agreement of the Parties. The headings appearing in this Agreement are inserted for convenience only and in no way define, limit, construe, or describe the scope or extent of any Section or in any way affect any Section.

**9.16 Jointly Drafted.** The Parties have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the Parties, and no presumption or burden of proof will arise favoring or disfavoring either Party by virtue of the authorship of any provisions of this Agreement.

**9.17 Independent Legal Counsel.** The Parties acknowledge that they have been advised or had the opportunity to be advised by their own independently selected counsel and other advisors in connection with this Agreement and enter into this Agreement solely on the basis of that advice and on the basis of their own independent investigation of all of the facts, laws, and circumstances material to this Agreement, and not in any manner or to any degree based upon any statement or omission by the other Party or its counsel.

**[SIGNATURE PAGE FOLLOWS]**

**IN WITNESS WHEREOF**, the Parties hereto have caused this Strategic Alliance and Remarketing Agreement to be executed by their duly authorized representatives as of the Execution Date, and each represents and warrants to the other that it has validly executed this Strategic Alliance and Remarketing Agreement and has the legal power to do so.

**CATERPILLAR INC.**

By: /s/ George H. Taylor

Name: George H. Taylor

Title: Vice President

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

By: /s/ Ravichandra Saligram

Name: Ravichandra Saligram

Title: Chief Executive Officer

**IRONPLANET, INC. (solely for purposes of Sections 3, 7, 8 and 9)**

By: /s/ Douglas P. Feick

Name: Douglas P. Feick

Title: Senior Vice President and Chief Legal Officer

## SCHEDULE A TO STRATEGIC ALLIANCE AND REMARKETING AGREEMENT

### SELLER TERMS AND CONDITIONS

This SCHEDULE A to Strategic Alliance and Remarketing Agreement provides additional terms that govern the sale of the equipment and the provision of related services by RCC.

These Seller Terms and Conditions, including all schedules and other policies, establish the terms of your use of RCC's sites and services (e.g., [www.rbauction.com](http://www.rbauction.com), [www.ironplanet.com](http://www.ironplanet.com), [eu.IronPlanet.com](http://eu.IronPlanet.com), [www.truckplanet.com](http://www.truckplanet.com), [www.govplanet.com](http://www.govplanet.com), [www.allequip.com](http://www.allequip.com), [www.catauctions.com](http://www.catauctions.com) and any third party online marketplace owned by RCC) and are incorporated by reference into the Strategic Alliance and Remarketing Agreement between Caterpillar and RCC for the consigning, or listing and advertising of equipment for sale to buyers at RCC Auctions.

- 1. Services.** RCC offers you the use of the Auction Sites, which function as an online marketplace and platform on which you can list and advertise equipment for sale to potential buyers (“**Buyers**”), as well as live, on-site auctions in the RB Channel or the IP Channel, such as Cat Auction Services’ eEquipment Yard timed out auction marketplace. In respect of sale completed using the Auction Sites or IP Channels, each Party is acting on its own behalf, and RCC is not a party to the subsequent purchase contract for equipment that is entered into between Caterpillar and the Buyer. The Auction Sites and/or the live, on-site auctions in the IP Channel shall be a listing site for the equipment, and Caterpillar shall not offer for sale or sell the equipment in any other manner until the earlier of (i) the date the equipment is sold in Live Auction or Auction Sites, or (ii) for the period of ninety (90) days following the date Caterpillar withdraws the equipment from the applicable auction. By listing a piece of equipment with RCC on an Auction Site or in the IP Channel Caterpillar extends an irrevocable offer to sell the equipment, as applicable, (a) to a Buyer who is the highest bidder and who meets or exceeds the opening bid or reserve price, or (b) to a Buyer who commits to purchase equipment at the buy now price. After the winning bid for a piece of equipment has been established by RCC or the Buyer has committed to purchase the equipment at the buy now price, the bid or purchase commitment of Buyer will be automatically accepted by the Caterpillar and a purchase contract between Caterpillar and Buyer is automatically concluded (“**Purchase Contract**”). All applicable terms and conditions of this Agreement shall apply to the Purchase Contract. Buyer and Caterpillar will be notified of the conclusion of the Purchase Contract by an email or other notification that is generated automatically by the Auction Site or at the live, on-site auction in the IP Channel. There is no guarantee as to the gross proceeds that may be realized from the sale of equipment through the Auction Site other than by Caterpillar establishing a reserve price which may or may not be accepted by a Buyer. In respect of sales via live, on-site auctions in the RB Channels (an “**RB Auction**”), RCC shall, as agent of Caterpillar, offer for sale to Buyers the equipment designated for sale at the RB Auction. After the winning bid for a piece of equipment has been accepted and established by RCC, the Buyer will be unconditionally and irrevocably bound to complete the purchase of such piece of equipment. Auctions within the RB Channel will have the exclusive right to sell any equipment designated on an Equipment Listing Form for sale by such means and Caterpillar shall not withdraw such equipment, or offer for sale or sell such equipment in any other manner, from the date the equipment is first advertised for sale at an RB Auction which generally occurs twenty (20) days in advance of said auction. All Live Auctions are unreserved and equipment offered for sale will be sold to the highest bidder on the date of the auction. There is no guarantee as to the gross proceeds that may be realized from sales of equipment at Live Auctions and RCC has no obligation or duty to withdraw equipment from such auctions or cancel the same. The timing of the sale of equipment and opening bid shall be set by RCC. RCC shall use its best efforts to sell the equipment on behalf of Caterpillar in a commercially reasonable manner. Caterpillar may not intentionally manipulate, directly or indirectly, the price of equipment by any means. To the extent Caterpillar wishes to sell equipment at Live Auction outside of the U.S., Canada, U.K., Europe and Australia, the Parties will cooperate and review the terms in this Schedule A to ensure any local laws and requirements relating to the sale of equipment are addressed in a mutually satisfactory manner.
- 2. Inspections.** For all requested inspections, Caterpillar agrees to permit RCC and/or its authorized representatives to test and inspect each piece of equipment at a time and place specified in the Agreement or as otherwise mutually agreed. To the extent conducted as part of the ordinary course of business, RCC shall produce an inspection report (“**Inspection Report**”) for each piece of equipment. RCC inspections are solely for the purpose of reporting on the condition of the equipment's major systems and attachments. RCC inspections are NOT intended to detect latent or hidden defects or conditions that could only be found in connection with the physical dismantling of the equipment or the use of diagnostic equipment or techniques. As such, RCC provides all Inspection Reports to Caterpillar “as is.” Caterpillar’s failure to properly maintain the equipment from the date of inspection until its removal from Caterpillar’s location by Buyer will void the inspection. If Caterpillar alters or performs repairs or other maintenance to the equipment after the inspection, another inspection will be required, and Caterpillar will be subject to a re-inspection fee for the actual costs of such additional inspection. Subject to the foregoing, all Inspection Reports and reports related to re-inspection shall be shared by RCC with Caterpillar. RCC acknowledges and agrees that Caterpillar is permitted to use, share and distribute all information that will be contained in such Inspection Reports, consistent with the terms of the Agreement, including sharing such information and Inspection Reports with its consultants, data processors, legal counsel and financial advisors.
- 3. Equipment Availability; Risk of Loss; Insurance.** Caterpillar agrees to have the equipment available for transportation, complete with ignition key, to the Buyer no later than one (1) business day after the conclusion of the sale. The responsibility and risk of loss for equipment shall be and remain with Caterpillar (and not RCC) until the earlier of: (i) the removal of the equipment from the posted equipment location by the Buyer or the Buyer's designated transportation provider or (ii) receipt by Caterpillar of all proceeds from the sale of equipment. Thereafter, the equipment shall be and remain at the risk of the Buyer or the Buyer's designated transportation provider (and not RCC). With respect to sales through live, on-site auction, Caterpillar shall be responsible for maintaining insurance coverage pertaining to the equipment and its transfer to and from, and storage at, the auction site, until the earlier of transfer of title of the equipment or removal from the equipment from the auction site. RCC has no obligation to maintain insurance coverage pertaining to the equipment in the possession of RCC for purposes hereunder.
- 4. Delivery.** For sales of equipment to be conducted by RCC through live, on-site auctions, Caterpillar, at its expense, shall deliver the equipment and all related titles, certifications, or other documents relating to ownership to RCC at the auction site no later than fifteen (15) days prior to the auction. At the time of delivery to the auction site the equipment shall be in compliance with all Federal and State regulations regarding emissions, safety or any other regulations as required by law. Titled items must have a legible VIN or other I.D. as required by law. Caterpillar will disclose to RCC any and all modifications or omissions to the aforementioned Federal and State regulations.

5. **Fees; Payment of Proceeds; Taxes.** All fees and payment instructions are set forth in the Agreement. Caterpillar shall be responsible for the payment of any tax or duty that is Caterpillar's responsibility as a seller of the equipment. After the Purchase Contract is concluded between Caterpillar and the Buyer, the Site will generate a third party invoice that is issued to Buyer on your behalf. The Buyer is responsible for paying to Caterpillar the purchase price for the equipment upon conclusion of a Purchase Contract, and Caterpillar hereby instructs RCC to act as a payment processor and facilitate receipt of the purchase price. Further, Caterpillar hereby grants RCC the right, in its own name, to enforce your right to payment. Caterpillar agrees that no monies shall be payable to Caterpillar until paid by the Buyer. For equipment sold via RB Channels, RCC will invoice the Buyer directly and the Buyer is responsible for paying RCC the purchase price for the equipment. The net proceeds collected from sales of equipment via RB Channels (net of agreed amounts due to RCC) will be paid by RCC to Caterpillar within twenty-one (21) days after the auction in accordance with the payment instructions provided by Caterpillar. Caterpillar acknowledges that Buyers may fail to perform or pay on a timely basis and that RCC shall not have any liability to Caterpillar for any act or omission of Buyers.
6. **Representations.** (i) Caterpillar represents and warrants that: (a) to its knowledge, no equipment shall be fraudulent, stolen or counterfeit; (b) Caterpillar is duly authorized to enter into the Agreement and sell such equipment; (c) Caterpillar is solvent and has not made any assignment, proposal or other proceeding for the benefit of its creditors; (d) Caterpillar owns all right, title and interest in and to the equipment and the equipment is free and clear of all liens or other encumbrances, except as otherwise disclosed by Caterpillar to RCC in writing; and (e) Caterpillar operates its business and will perform under this Agreement in compliance with all applicable laws, agreements and policies by which Caterpillar is bound, including applicable emissions regulation. (ii) RCC represents and warrants that: (w) RCC is duly authorized under the laws of the jurisdiction of its organization; (x) RCC is duly authorized to enter into the Agreement and take all actions required of RCC pursuant to the Agreement; (y) RCC operates its business and will perform under this Agreement in compliance with all applicable laws, agreements and policies by which RCC is bound, including applicable emissions regulation; and (z) RCC employs and maintains security policies and standards in accordance with industry standards for similarly-situated organizations.
7. **Disclaimer; Limitation of Liability.** RCC WARRANTS THAT THE SITE AND SERVICES PROVIDED UNDER THIS AGREEMENT WILL BE PROVIDED IN A PROFESSIONAL MANNER AND TO THE REASONABLE SATISFACTION OF CATERPILLAR. EXCEPT AS EXPRESSLY PROVIDED IN THE IMMEDIATELY PRECEDING SENTENCE OR AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT OR AN EQUIPMENT LISTING FORM, THE SITE AND SERVICES PROVIDED BY OR THROUGH COMPANY ARE PROVIDED ON AN "AS IS" AND "AS AVAILABLE" BASIS WITHOUT WARRANTIES OF ANY KIND, WHETHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, IMPLIED WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. TO THE FULLEST EXTENT PERMITTED BY LAW, IN NO EVENT SHALL COMPANY OR SELLER BE LIABLE FOR ANY SPECIAL, INDIRECT, PUNITIVE, COVER, INCIDENTAL OR CONSEQUENTIAL DAMAGES, HOWEVER CAUSED, WHETHER IN CONTRACT OR TORT OR UNDER ANY OTHER THEORY OF LIABILITY, INCLUDING LOSS OF REVENUE, PROFITS, OR BUSINESS, ANY LOSS OF GOODWILL OR REPUTATION, OR THE COSTS OF SUBSTITUTE GOODS OR SERVICES, EVEN IF COMPANY OR AN AUTHORIZED REPRESENTATIVE THEREOF HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.
8. **Indemnification.** Each of RCC and Caterpillar agrees to indemnify ("**indemnifying party**") and hold harmless the other party, its affiliated companies and their respective officers, directors, employees, agents, successors and assigns ("**indemnified parties**") from and against any claim or demand (including reasonable attorneys' and experts' fees and costs) made by any third party due to or arising out of a party's breach of this Agreement or violation of any law. The indemnified party shall promptly notify the indemnifying party in writing of any threatened or actual claim or demand and reasonably cooperate with indemnifying party to facilitate the settlement or defense thereof. Indemnifying party shall have sole control of the defense or settlement of any claim or demand, provided that indemnified party, at its option and expense, may participate and appear on an equal footing with indemnifying party. Indemnifying party shall not settle any claim or demand without the written consent of the indemnified parties, with such consent not to be unreasonably withheld or delayed.
9. **Additional Liens.** RCC shall have the right, in its sole discretion, to rescind the sale of equipment to a Buyer in whole or in part in the event there are liens, encumbrances or adverse claim on or to any equipment in addition to those that are listed in the Agreement.

**SCHEDULE B TO STRATEGIC ALLIANCE AND REMARKETING AGREEMENT**

**SAMPLE EQUIPMENT LISTING REQUEST FORM**

<b>SELLER:</b>	<b>DATE OF SUBMISSION:</b>
<b>DESIGNATED SELLER REPRESENTATIVE:</b>	<b>DATE OF MASTER OPERATING AND REMARKETING AGREEMENT</b>
<b>COMPANY SALES CONTRACT NO.:</b>	

Pursuant to the terms of the Strategic Alliance and Remarketing Agreement referenced above, Seller hereby authorizes \_\_\_\_\_ to place the following Equipment for sale:

No.	Seller Ref #	Location	Year	Make	Model	Serial #	Hours/ Miles	Sale Type	Insp. Reqs.	Liens (Y/N)	Features/Equipment Detail; Attachment Detail	Equip. Code	Listing Fee
1.													
2.													
3.													
4.													
5.													
6.													
7.													
8.													
9.													
10.													
11.													
12.													

**BY AND ON BEHALF OF SELLER:**

\_\_\_\_\_  
(Signature of Designated Seller Representative)

<b>LEGEND:</b>						
<b>Sale Type:</b>	<b>FE</b> = Featured Event	<b>CAS</b> = CAT Auction	<b>Inspection Reqs:</b>	<b>FI</b> = Full Inspection	<b>B</b> = Photos and Basic Functionality	<b>PO</b> = Photos Only (non-powered units)
	<b>DM</b> = Daily Marketplace	<b>RB</b> = RB Auction				

**PAYMENT INSTRUCTIONS:** RCC shall remit payment to Seller according to the instructions provided below. If no selection is made, payment shall be by check.

<b>Select Payment Method:</b>	<input type="checkbox"/> Company Check	<input type="checkbox"/> Wire Transfer
If Wire Transfer, instructions:	Beneficiary Name: _____	
	Beneficiary Acct. No.: _____	
	Bank Name: _____	
	Bank Location: _____	
	Bank (ABA) Routing No.: _____	

**SCHEDULE C TO STRATEGIC ALLIANCE AND REMARKETING AGREEMENT**

**COMMISSION RATES**

**Auction Sites (e.g. IP, E1 etc.):**

GTV <sup>2</sup>	Commission Rate	Fees
[ *** ]	[ *** ]%	Standard Listing Fee
[ *** ]	[ *** ]%	Standard Listing Fee
[ *** ]	[ *** ]%	Standard Listing Fee

**Live Auction (e.g. CAS<sup>1</sup>, RBA, etc.):**

US and Canada			
GAP <sup>2</sup>	Commission Rate	Annual Threshold Rebate	Effective Rate
[ *** ]	[ *** ]%	[ *** ]%	[ *** ]%
[ *** ]	[ *** ]%	[ *** ]%	[ *** ]%
[ *** ]	[ *** ]%	[ *** ]%	[ *** ]%
[ *** ]	[ *** ]%	[ *** ]%	[ *** ]%
[ *** ]	[ *** ]%	[ *** ]%	[ *** ]%

Rest of the World			
GAP <sup>2</sup>	Commission Rate	Annual Threshold Rebate	Effective Rate
[ *** ]	[ *** ]%	[ *** ]%	[ *** ]%
[ *** ]	[ *** ]%	[ *** ]%	[ *** ]%
[ *** ]	[ *** ]%	[ *** ]%	[ *** ]%
[ *** ]	[ *** ]%	[ *** ]%	[ *** ]%
[ *** ]	[ *** ]%	[ *** ]%	[ *** ]%

---

<sup>1</sup> Onsite Dealer CAS or RBA/CAS Cobranded Events

<sup>2</sup> Aggregate GTV and GAP threshold levels in USD only applicable to straight commission business volume at a dealer level

**SCHEDULE D TO STRATEGIC ALLIANCE AND REMARKETING AGREEMENT**

**FORM OF CONSENT**

I agree and acknowledge that to the extent this equipment is equipped with a telematics system (e.g., Product Link), that data concerning this equipment, its condition, and its operation is being collected and transmitted to Caterpillar Inc., its affiliates (collectively, "Caterpillar"), and/or its dealers.

Caterpillar Inc. recognizes and respects customer privacy. The Caterpillar Telematics Data Privacy Statement (the "Privacy Statement") describes the categories of information collected, the purposes of the processing of the information, how the information is shared, how to ask questions about telematics and how to revoke your consent. The Privacy Statement is available online at [www.cat.com](http://www.cat.com) and attached to this consent form.

I consent, agree to allow, and grant a worldwide, perpetual, fully paid up, non-exclusive, nonrevocable, license to, Caterpillar and/or its dealers to use, access and transfer this information in accordance with this consent form and the Privacy Statement, including for this information to be transferred to jurisdictions that may not offer the same level of data protection as the jurisdiction in which I am located. Furthermore, I acknowledge and agree that to the extent consent of the operator is required that I will have and will obtain their consent prior to allowing them to use the equipment.

Further, I consent that Caterpillar and/or its dealers to transfer to Richie Bros. Auctioneers Incorporated and its affiliates (the "RB Entities") for its and their internal use, but not for resale, information regarding the hours of usage of this equipment at the later of the activation of the telematics system or the date the equipment is sold through RB Entities and the location of the equipment 120 days after the date the equipment is sold through RB Entities.

In the event that I transfer ownership of the equipment, I agree to notify the next owner about the telematics system, the information being transmitted and the Purposes and this language including the link to the privacy statement. In addition, I will notify my dealer that I have transferred ownership of the equipment.

- I have been provided a copy of the Caterpillar Telematics Data Privacy Statement.
- I have read and I understand the Caterpillar Telematics Data Privacy Statement.
- I freely consent to the data collection and transfers described in this consent form, including the Caterpillar Telematics Data Privacy Statement.

The undersigned company hereby gives its voluntary consent and agreement:

Company Name: \_\_\_\_\_

Represented by (printed): \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**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: November 7, 2022

/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, Eric Jacobs, 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: November 7, 2022

/s/ Eric Jacobs

Eric Jacobs  
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 September 30, 2022, 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: November 7, 2022

*/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 September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric Jacobs, 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: November 7, 2022

/s/ Eric Jacobs

Eric Jacobs  
Chief Financial Officer