

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, 2023

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

rb GLOBAL™
RB Global, Inc.

(Exact Name of Registrant as Specified in its Charter)

Canada

(State or other jurisdiction of incorporation or organization)

98-0626225

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

**Two Westbrook Corporate Center, Suite 500,
Westchester, Illinois, USA**

(Address of Principal Executive Offices)

60154

(Zip Code)

(708) 492-7000

(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: 182,332,773 common shares, without par value, outstanding as of November 8, 2023.

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PART I – FINANCIAL INFORMATION

ITEM 1: CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Income Statements

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

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenue:				
Service revenue	\$ 773.8	\$ 246.7	\$ 1,923.4	\$ 778.0
Inventory sales revenue	246.0	164.8	715.3	511.9
Total revenue	1,019.8	411.5	2,638.7	1,289.9
Operating expenses:				
Costs of services	316.8	41.5	680.5	125.6
Cost of inventory sold	230.0	147.3	673.4	455.0
Selling, general and administrative	203.5	133.2	546.2	404.1
Acquisition-related and integration costs	23.1	2.0	195.6	15.1
Depreciation and amortization	101.1	24.3	246.9	72.8
Total operating expenses	874.5	348.3	2,342.6	1,072.6
Gain on disposition of property, plant and equipment	0.5	0.3	4.4	170.5
Operating income	145.8	63.5	300.5	387.8
Interest expense	(63.7)	(9.2)	(149.6)	(48.3)
Interest income	4.5	1.8	15.8	3.2
Change in fair value of derivatives, net	—	—	—	1.3
Other income, net	0.4	1.1	3.0	2.2
Foreign exchange (loss) gain	(0.7)	0.4	(1.4)	0.8
Income before income taxes	86.3	57.6	168.3	347.0
Income tax expense	23.1	14.7	46.5	72.6
Net income	\$ 63.2	\$ 42.9	\$ 121.8	\$ 274.4
Net income attributable to:				
Controlling interests	\$ 63.4	\$ 42.9	\$ 122.2	\$ 274.4
Redeemable non-controlling interests	(0.2)	—	(0.4)	—
Net income	\$ 63.2	\$ 42.9	\$ 121.8	\$ 274.4
Net income attributable to controlling interests	63.4	42.9	122.2	274.4
Cumulative dividends on Series A Senior Preferred Shares	(6.7)	—	(17.6)	—
Allocated earnings to Series A Senior Preferred Shares	(2.0)	—	(5.5)	—
Net income available to common stockholders	\$ 54.7	\$ 42.9	\$ 99.1	\$ 274.4
Earnings per share available to common stockholders:				
Basic	\$ 0.30	\$ 0.39	\$ 0.61	\$ 2.48
Diluted	\$ 0.30	\$ 0.38	\$ 0.61	\$ 2.45
Weighted average number of shares outstanding:				
Basic	182,148,717	110,838,237	161,724,677	110,750,021
Diluted	183,601,601	112,209,535	162,916,593	111,858,095

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income

(Expressed in millions of U.S. dollars)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income	\$ 63.2	\$ 42.9	\$ 121.8	\$ 274.4
Other comprehensive income, net of income tax:				
Foreign currency translation adjustment	(31.4)	(30.5)	1.6	(54.4)
Total comprehensive income	<u>\$ 31.8</u>	<u>\$ 12.4</u>	<u>\$ 123.4</u>	<u>\$ 220.0</u>
Total comprehensive income attributable to:				
Controlling interests	\$ 32.0	\$ 12.4	\$ 123.8	\$ 220.0
Redeemable non-controlling interests	(0.2)	—	(0.4)	—
Total comprehensive income	<u>\$ 31.8</u>	<u>\$ 12.4</u>	<u>\$ 123.4</u>	<u>\$ 220.0</u>

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Balance Sheets

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

(Unaudited)

	September 30, 2023	December 31, 2022
Assets		
Cash and cash equivalents	\$ 428.3	\$ 494.3
Restricted cash	130.9	131.6
Trade and other receivables, net of allowance for credit losses of \$4.9 and \$3.3 respectively	908.7	183.2
Prepaid consigned vehicle charges	66.2	—
Inventory	173.9	103.1
Other current assets	83.3	48.3
Income taxes receivable	43.2	2.6
Total current assets	<u>1,834.5</u>	<u>963.1</u>
Property, plant and equipment	1,150.4	459.1
Operating lease right-of-use assets	1,467.2	123.0
Other non-current assets	91.2	40.4
Intangible assets	2,952.8	322.7
Goodwill	4,508.2	948.8
Deferred tax assets	8.5	6.6
Total assets	<u>\$ 12,012.8</u>	<u>\$ 2,863.7</u>
Liabilities, Temporary Equity and Equity		
Auction proceeds payable	\$ 662.3	\$ 449.0
Trade and other liabilities	579.2	258.7
Current operating lease liabilities	108.7	12.7
Income taxes payable	6.9	41.3
Short-term debt	4.7	29.1
Current portion of long-term debt	41.2	4.4
Total current liabilities	<u>1,403.0</u>	<u>795.2</u>
Long-term operating lease liabilities	1,337.8	111.9
Long-term debt	3,081.0	577.1
Other non-current liabilities	70.8	35.4
Deferred tax liabilities	715.6	54.0
Total liabilities	<u>6,608.2</u>	<u>1,573.6</u>
Temporary equity:		
Series A Senior Preferred Shares; no par value, shares authorized, issued and outstanding: 485,000,000 (December 31, 2022: nil)	482.0	—
Redeemable non-controlling interest	8.5	—
Stockholders' equity:		
Share capital:		
Common stock; no par value, unlimited shares authorized, issued and outstanding shares: 182,249,852 (December 31, 2022: 110,881,363)	4,010.7	246.3
Additional paid-in capital	92.1	85.3
Retained earnings	892.5	1,043.2
Accumulated other comprehensive loss	(83.5)	(85.1)
Stockholders' equity	<u>4,911.8</u>	<u>1,289.6</u>
Non-controlling interests	2.3	0.5
Total stockholders' equity	<u>4,914.1</u>	<u>1,290.1</u>
Total liabilities, temporary equity and equity	<u>\$ 12,012.8</u>	<u>\$ 2,863.7</u>

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Temporary Equity and Equity
(Expressed in millions of U.S. dollars, except where noted)
(Unaudited)

	Senior A Senior Preferred Shares			Redeemable non-controlling interest	Attributable to common stockholders					
					Common stock		Additional paid-In capital ("APIC")	Retained earnings	Accumulated other comprehensive loss	Non-controlling interest ("NCI")
	Number of shares	Amount	Number of shares		Amount					
Three months ended September 30, 2023										
Balance, June 30, 2023	485,000,000	\$ 482.0	\$ 8.7	181,983,976	\$ 3,995.1	\$ 89.7	\$ 887.1	\$ (52.1)	\$ 2.3	\$ 4,922.1
Net income	—	—	(0.2)	—	—	—	63.4	—	—	63.4
Other comprehensive income	—	—	—	—	—	—	—	(31.4)	—	(31.4)
	—	—	(0.2)	—	—	—	63.4	(31.4)	—	32.0
Stock option exercises	—	—	—	250,275	14.5	(2.9)	—	—	—	11.6
Issuance of common stock related to vesting of share units	—	—	—	15,601	0.8	(1.3)	—	—	—	(0.5)
Share-based continuing employment costs related to business combinations	—	—	—	—	0.3	0.4	—	—	—	0.7
Share-based payments expense	—	—	—	—	—	5.9	—	—	—	5.9
Equity-classified share units dividend equivalents	—	—	—	—	—	0.3	(0.3)	—	—	—
Participating dividends on Series A Senior Preferred Shares	—	—	—	—	—	—	(1.8)	—	—	(1.8)
Cumulative 5.5% dividends on Series A Senior Preferred Shares	—	—	—	—	—	—	(6.7)	—	—	(6.7)
Dividends paid to common stockholders	—	—	—	—	—	—	(49.2)	—	—	(49.2)
Balance, September 30, 2023	485,000,000	\$ 482.0	\$ 8.5	182,249,852	\$ 4,010.7	\$ 92.1	\$ 892.5	\$ (83.5)	\$ 2.3	\$ 4,914.1
Three months ended September 30, 2022										
Balance, June 30, 2022	—	\$ —	\$ —	110,791,788	\$ 235.2	\$ 73.0	\$ 1,015.3	\$ (79.9)	\$ 0.4	\$ 1,244.0
Net income	—	—	—	—	—	—	42.9	—	—	42.9
Other comprehensive loss	—	—	—	—	—	—	—	(30.5)	—	(30.5)
	—	—	—	—	—	—	42.9	(30.5)	—	12.4
Stock option exercises	—	—	—	75,511	3.5	(0.6)	—	—	—	2.9
Issuance of common stock related to vesting of share units	—	—	—	3,484	0.1	(0.2)	—	—	—	(0.1)
Share-based continuing employment costs related to business combinations	—	—	—	—	0.3	1.5	—	—	—	1.8
Share-based payments expense	—	—	—	—	—	8.0	—	—	—	8.0
Equity-classified share units dividend equivalents	—	—	—	—	—	0.2	(0.2)	—	—	—
Dividends paid to common stockholders	—	—	—	—	—	—	(29.9)	—	—	(29.9)
Balance, September 30, 2022	—	\$ —	\$ —	110,870,783	\$ 239.1	\$ 81.9	\$ 1,028.1	\$ (110.4)	\$ 0.4	\$ 1,239.2

	Senior A Senior Preferred Shares			Redeemable non-controlling interest	Attributable to common stockholders						
					Common stock		Additional paid-In capital ("APIC")	Retained earnings	Accumulated other comprehensive loss	Non-controlling interest ("NCI")	Total equity
	Number of shares	Amount	Number of shares		Amount						
Nine months ended September 30, 2023											
Balance, December 31, 2022	—	\$ —	\$ —	—	110,881,363	\$ 246.3	\$ 85.3	\$ 1,043.2	\$ (85.1)	\$ 0.5	\$ 1,290.1
Net income	—	—	—	(0.4)	—	—	—	122.2	—	—	122.2
Other comprehensive income	—	—	—	—	—	—	—	—	1.6	—	1.6
	—	—	—	(0.4)	—	—	—	122.2	1.6	—	123.8
Stock option exercises	—	—	—	—	351,349	19.4	(3.8)	—	—	—	15.6
Issuance of common stock related to vesting of share units	—	—	—	—	426,254	15.9	(33.6)	—	—	—	(17.7)
Issuance of common stock related to business combination	—	—	—	—	70,339,723	3,713.2	—	—	—	—	3,713.2
Share-based continuing employment costs related to business combinations	—	—	—	—	—	0.9	1.4	—	—	—	2.3
Replacement of share-based awards in business combination	—	—	—	—	—	—	13.1	—	—	—	13.1
Share-based payments expense	—	—	—	—	—	—	28.5	—	—	—	28.5
Equity-classified share units dividend equivalents	—	—	—	—	—	—	1.2	(1.2)	—	—	—
NCI acquired in business combination	—	—	—	8.9	—	—	—	—	—	1.8	1.8
Issuance of Series A Senior Preferred Shares and common stock, net of issuance costs	485,000,000	482.0	—	—	251,163	15.0	—	—	—	—	15.0
Participating dividends on Series A Senior Preferred Shares	—	—	—	—	—	—	—	(5.4)	—	—	(5.4)
Cumulative 5.5% dividends on Series A Senior Preferred Shares	—	—	—	—	—	—	—	(17.6)	—	—	(17.6)
Dividends paid to common stockholders	—	—	—	—	—	—	—	(248.7)	—	—	(248.7)
Balance, September 30, 2023	485,000,000	\$ 482.0	\$ 8.5	—	182,249,852	\$ 4,010.7	\$ 92.1	\$ 892.5	\$ (83.5)	\$ 2.3	\$ 4,914.1
Nine months ended September 30, 2022											
Balance, December 31, 2021	—	\$ —	\$ —	—	110,618,049	\$ 227.5	\$ 59.5	\$ 839.6	\$ (56.0)	\$ 0.4	\$ 1,071.0
Net income	—	—	—	—	—	—	—	274.4	—	—	274.4
Other comprehensive loss	—	—	—	—	—	—	—	—	(54.4)	—	(54.4)
	—	—	—	—	—	—	—	274.4	(54.4)	—	220.0
Stock option exercises	—	—	—	—	155,694	7.1	(1.3)	—	—	—	5.8
Issuance of common stock related to vesting of share units	—	—	—	—	97,040	2.4	(6.1)	—	—	—	(3.7)
Share-based continuing employment costs related to business combinations	—	—	—	—	—	2.1	3.9	—	—	—	6.0
Share-based payments expense	—	—	—	—	—	—	25.3	—	—	—	25.3
Equity-classified share units dividend equivalents	—	—	—	—	—	—	0.6	(0.6)	—	—	—
Dividends paid to common stockholders	—	—	—	—	—	—	—	(85.3)	—	—	(85.3)
Balance, September 30, 2022	—	\$ —	\$ —	—	110,870,783	\$ 239.1	\$ 81.9	\$ 1,028.1	\$ (110.4)	\$ 0.4	\$ 1,239.2

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(Expressed in millions of U.S. dollars)

(Unaudited)

Nine months ended September 30, 2023	2023	2022
Cash provided by (used in):		
Operating activities:		
Net income	\$ 121.8	\$ 274.4
Adjustments for items not affecting cash:		
Depreciation and amortization	246.9	72.8
Share-based payments expense	39.9	31.4
Deferred income tax (benefit) expense	(31.4)	7.9
Unrealized foreign exchange loss (gain)	5.4	(5.3)
Gain on disposition of property, plant and equipment	(4.4)	(170.5)
Loss on redemption of Notes	3.3	4.8
Amortization of debt issuance costs	7.1	3.1
Amortization of right-of-use assets	72.9	13.9
Change in fair value of derivatives	—	(1.2)
Gain on remeasurement of investment upon acquisition	(1.4)	—
Other, net	7.0	2.8
Net changes in operating assets and liabilities	(260.4)	29.8
Net cash provided by operating activities	<u>206.7</u>	<u>263.9</u>
Investing activities:		
Acquisition of IAA, net of cash acquired	(2,755.2)	—
Acquisition of VeriTread, net of cash acquired	(24.7)	—
Acquisition of SmartEquip, net of cash acquired	—	(0.1)
Property, plant and equipment additions	(153.6)	(26.3)
Proceeds on disposition of property, plant and equipment	31.6	165.2
Intangible asset additions	(83.3)	(28.2)
Issuance of loans receivable	(18.8)	(7.0)
Repayment of loans receivable	2.3	4.7
Other	(0.6)	—
Net cash (used in) provided by investing activities	<u>(3,002.3)</u>	<u>108.3</u>
Financing activities:		
Issuance of Series A Senior Preferred Shares and common stock, net of issuance costs	496.9	—
Dividends paid to common stockholders	(248.7)	(85.3)
Dividends paid to Series A Senior Preferred shareholders	(21.9)	—
Proceeds from exercise of options and share option plans	15.5	5.8
Payment of withholding taxes on issuance of shares	(14.6)	(3.9)
Net decrease in short-term debt	(23.9)	(4.2)
Proceeds from long-term debt	3,175.0	—
Repayment of long-term debt	(603.3)	(1,094.9)
Payment of debt issue costs	(41.7)	(3.6)
Repayment of finance lease obligations	(8.3)	(7.9)
Proceeds from equipment financing obligations	11.1	—
Repayment of equipment financing obligations	(5.3)	—
Payment of contingent consideration	(2.0)	—
Net cash provided by (used in) financing activities	<u>2,728.8</u>	<u>(1,194.0)</u>
Effect of changes in foreign currency rates on cash, cash equivalents, and restricted cash	0.1	(25.6)
Decrease	(66.7)	(847.4)
Beginning of period	625.9	1,362.5
Cash and cash equivalents, and restricted cash, end of period	<u>\$ 559.2</u>	<u>\$ 515.1</u>

See accompanying notes to the condensed consolidated financial statements.

1. General Information

RB Global, Inc., formerly known as Ritchie Bros. Auctioneers Incorporated, and its subsidiaries (collectively referred to as the “Company”, “RB Global”, “we”, “us”, or “our”) provide a marketplace for insights, services and transaction solutions for commercial assets and vehicles. 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 and vehicles as well as asset management software and data as a service solutions to help customers make more accurate and reliable business decisions.

On March 20, 2023, the Company acquired all the issued and outstanding shares of IAA, Inc. (“IAA”), which has been consolidated from the date of acquisition. IAA is a leading global digital marketplace connecting vehicle buyers and sellers and facilitates the marketing and sale of total loss, damaged and low-value vehicles for a full spectrum of sellers. IAA has more than 200 facilities throughout the United States, Canada and the United Kingdom.

On January 3, 2023, the Company also acquired a 75% interest in VeriTread LLC (“VeriTread”), which has been consolidated from the date the Company obtained control on January 18, 2023. VeriTread is a transportation technology company in the United States that provides an online marketplace solution for open deck transport, connecting shippers and service providers.

RB Global, Inc. 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”). The Company changed its name from Ritchie Bros. Auctioneers Incorporated and moved its headquarters to Westchester, Illinois, United States from Burnaby, British Columbia, Canada after the close of the IAA acquisition.

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 RB Global, Inc. and its subsidiaries from their respective dates of formation, acquisition or control. 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, 2022, 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 and as those described in Note 2(b) “New Accounting Standards and Accounting Policies” of our unaudited condensed consolidated interim financial statements for the three months ended March 31, 2023. The Company does not believe that any recently issued, but not yet effective, accounting pronouncements, if adopted, would have a material impact on its consolidated financial statements or disclosures.

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 temporary equity and 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 millions except share and per share amounts.

Reclassifications

The following reclassifications have been made in the presentation of prior period financial statements to conform to the presentation of the current period financial statements:

- (i) reclassification in 2022 of \$23.3 million from trade and other liabilities to auction proceeds payable relating to amounts payable to consignors from our auctions and marketplaces, which are held for various reasons beyond the typical payment terms of 21 days;

2. Significant Accounting Policies (continued)

- (ii) reclassification in 2022 of \$122.9 million from other non-current assets to operating lease right-of-use assets, \$12.7 million from trade and other liabilities to current operating lease liabilities, and \$111.9 million from other non-current liabilities to long-term operating lease liabilities; and
- (iii) reclassification of \$0.4 million and \$0.8 million foreign exchange gain respectively for the three- and nine-month periods ended September 30, 2022, from operating income to a separate line below operating income.

3. Significant Judgements, 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, 2023 related to the preliminary purchase price allocations for the acquisition of IAA.

Accounting for business combinations requires estimates with respect to the fair value of the assets acquired and liabilities assumed. Such estimates of fair value require valuation methods which rely on significant estimates and assumptions. In connection with the acquisition of IAA, the valuation of intangible assets required significant estimates and assumptions and included estimates regarding future cash flows, growth rates, attrition rates, royalty rates, obsolescence rates, discount rates, terminal value and forecasted period assumptions, as applicable. The Company based these estimates on historical and anticipated results, industry trends, economic analysis, and various other assumptions, including assumptions as to the occurrence of future events. In addition, the valuation of acquired property, plant, and equipment required significant estimates and assumptions regarding the valuation of leasehold improvements, acquired yard equipment and other equipment, acquired land, and operating lease right-of-use assets. The valuation of acquired property, plant, and equipment was performed using a cost approach and required significant estimates and assumptions regarding the estimate of replacement cost, adjusted by an estimated depreciation rate to account for physical deterioration and obsolescence. The fair value of the acquired land and right-of-use assets were estimated using a sales comparison approach and included significant estimates and assumptions with respect to market value or market rents, growth rates, and discount rates, as applicable.

4. Seasonality

The Company's operations in certain situations are both seasonal and event driven and can fluctuate from quarter to quarter. The volume of assets sold through our auctions and marketplaces is driven by the supply of assets available for sale, as well as changes in severe weather conditions. During the third quarter, the supply of assets is generally low as commercial and transportation equipment is actively being used and mild weather conditions and decreases in traffic volume can contribute to a decline in available supply of vehicles.

5. Business Combinations

(a) IAA Acquisition

On March 20, 2023, the Company completed its acquisition of IAA for a total purchase price of approximately \$6.6 billion. The Company acquired IAA to create a leading omnichannel marketplace for vehicle buyers and sellers.

On November 7, 2022, the Company had entered into an Agreement and Plan of Merger and Reorganization, which was subsequently amended on January 22, 2023 (the "Merger Agreement"). Pursuant to the terms of the Merger Agreement, IAA stockholders received \$12.80 per share in cash and 0.5252 shares of the Company for each share of IAA common stock they owned (the "Exchange Ratio"). As such, the Company paid \$1.7 billion in cash consideration and issued 70.3 million shares of its common stock. In addition, the

5. Business Combinations (continued)

Company repaid \$1.2 billion of IAA's net debt, which included all outstanding borrowings and unpaid fees under IAA's credit agreement and \$500.0 million principal amount of IAA senior notes, at a redemption price equal to 102.75% of the principal amount plus accrued and unpaid interest.

IAA's outstanding equity awards were also cancelled and exchanged into equivalent outstanding equity awards relating to the Company's common stock, based on the equity award exchange ratio of 0.763139.

The purchase price was determined as follows:

Cash consideration	\$	1,714.2
Fair value of common shares issued		3,713.0
Fair value of exchanged IAA equity awards attributable to pre-combination service		13.1
Reimbursement of sell-side acquisition costs		48.8
Repayment of IAA net debt		1,157.1
Total fair value of consideration transferred	\$	6,646.2

The acquisition was accounted for in accordance with ASC 805, *Business Combinations*. The identifiable assets acquired and liabilities assumed have been recorded at their estimated preliminary acquisition date fair values. The excess purchase price over the fair values of identifiable assets and liabilities is recorded as goodwill. The following table summarizes the preliminary allocation of the purchase price to the fair value of assets acquired and liabilities assumed.

IAA Preliminary Purchase Price Allocation

Purchase price	\$	6,646.2
Assets acquired:		
Cash and cash equivalents		164.9
Trade and other receivables		499.2
Prepaid consigned vehicle charges		8.7
Inventory		57.1
Other current assets		29.2
Income taxes receivable		2.6
Property, plant and equipment		627.5
Operating lease right-of-use assets		1,272.2
Other non-current assets		34.8
Intangible assets		2,712.1
Liabilities assumed:		
Auction proceeds payable		60.7
Trade and other liabilities		261.3
Current operating lease liability		78.1
Income taxes payable		6.0
Long-term operating lease liability		1,166.1
Other non-current liabilities		30.3
Deferred tax liabilities		690.7
Fair value of identifiable net assets acquired		3,115.1
Goodwill acquired on acquisition	\$	3,531.1

5. Business Combinations (continued)

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

Asset	Preliminary fair value at acquisition	Weighted average amortization period
Customer relationships	\$ 2,293.5	15 years
Developed technology	245.2	4 years
Trade names and trademarks	166.6	5 years
Software under development	6.8	—
Total	\$ 2,712.1	13.4 years

The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. During the three months ended September 30, 2023, the Company revised and updated certain estimated fair values of assets acquired and liabilities assumed as described below. The fair value estimates of assets acquired and liabilities assumed is still preliminary pending the completion of various items, including obtaining further information regarding the identification and completeness of all assets acquired and liabilities assumed and completing certain review procedures in the finalization of various independent valuations of the assets acquired and liabilities assumed.

Certain of the more significant balances that are not yet finalized include the valuation of property, plant, and equipment, intangible assets, operating lease right-of-use assets and related lease liabilities, and related income tax considerations. Accordingly, management considers the balances above to be preliminary, and there could be adjustments to the consolidated financial statements in subsequent periods, including changes to depreciation and amortization expense related to the property, plant, and equipment and intangible assets acquired and their respective useful lives, among other adjustments. In addition, management will complete the allocation of goodwill acquired to its reporting units in the fourth quarter of 2023.

The final determination of the fair values of the assets acquired and liabilities assumed will be completed within the measurement period of up to one year from the acquisition date.

Measurement period adjustments

Certain measurement period adjustments were recorded in these condensed consolidated financial statements due to the receipt of additional information and updated preliminary valuation reports. Significant adjustments during the three months ended September 30, 2023, included:

- (i) \$257.6 million increase to intangible assets related to the updated valuation of customer relationships;
- (ii) \$62.4 million increase to deferred income tax liabilities related to the adjustment noted in (i) above; and
- (iii) \$185.7 million decrease to goodwill related to the adjustments noted in (i) and (ii) above, and other less significant adjustments.

During the three months ended September 30, 2023, as a result of the above change to the value assigned to and the estimated useful lives of the customer relationships intangible assets, the Company recorded adjustments to reverse amortization expense by \$0.6 million relating to the three months ended March 31, 2023 and \$5.2 million relating to the three months ended June 30, 2023, as though the measurement period adjustment described in (i) above had been recognized as of the acquisition date.

Goodwill

Goodwill recognized includes synergies expected to be achieved from the operations of the combined company, the assembled workforce of IAA, and intangible assets that do not qualify for separate recognition. Expected synergies include both increased revenue opportunities and the cost savings from the planned integration of platform infrastructure, facilities, personnel, and systems. The transaction is considered a non-taxable business combination and the goodwill is not deductible for tax purposes.

Contributed Revenue and Net Income

The results of IAA's operations are included in these unaudited condensed consolidated interim financial statements from the date of acquisition. For the three months ended September 30, 2023, the amount of IAA revenue and net income included in the consolidated income statement was \$557.4 million and \$71.3 million, respectively. From the date of acquisition to September 30, 2023, the amount of IAA revenue and net income included in the consolidated income statement was \$1.2 billion and \$148.2 million, respectively.

5. Business Combinations (continued)

The following table includes unaudited pro forma financial information that presents the combined results of operations as if the IAA acquisition, the acquisition debt financing, and certain other related transactions had occurred on January 1, 2022, the beginning of the comparable annual period.

The unaudited pro forma information includes adjustments to amortization for intangible assets acquired, adjustments to interest expense for the additional indebtedness incurred to complete the acquisition, and transaction costs. The unaudited pro forma financial information for the nine months ended September 30, 2022 also includes one-time acquisition-related expenses of \$232.6 million, of which \$60.0 million were IAA pre-acquisition transaction costs. The pro forma results do not include any anticipated synergies or other expected benefits of the acquisition.

	Three months ended September 30,		Nine months ended September 30,			
	2023	2022	2023	2022		
Revenue	\$	908.6	\$	3,114.3	\$	2,863.8
Net income		9.1		280.0		58.9

The unaudited pro forma information presented is for informational purposes only and is not necessarily indicative of our consolidated results of operations of the combined business had the acquisition actually occurred on January 1, 2022, nor of the results of our future operations of the combined business. The pro forma results are based on the preliminary purchase price allocation and will be updated to reflect the final amounts as the allocation is finalized during the measurement period.

(b) VeriTread Acquisition

On January 3, 2023, the Company acquired 8,889,766 units of VeriTread, for \$25.1 million cash consideration from its existing unitholders and acquired another 1,056,338 units through an investment of \$3.0 million cash. As a result, the Company increased its investment in VeriTread to 75% and obtained control of VeriTread pursuant to an amended operating agreement on January 18, 2023. Immediately prior to the acquisition, the Company owned 11% of VeriTread, with an acquisition date fair value of \$4.3 million based on the per unit purchase price, and therefore, upon remeasurement of its previously held interest, the Company recorded a gain of \$1.4 million in other income, net at acquisition. VeriTread is a transportation technology company that provides an online marketplace solution for open deck transport, connecting shippers and service providers.

Concurrently, the Company entered into a put/call agreement with one of the minority unitholders of VeriTread for its remaining units, another 21% ownership interest. Pursuant to this agreement, the minority unitholder has rights, in certain circumstances, to put or sell its remaining units of VeriTread to the Company, subject to VeriTread achieving certain performance targets at a predetermined value or fair value, depending on the timing and targets achieved. The Company also has the right to call or purchase the remaining units of the minority unitholder upon achievement of certain integration milestones at fair value. The redeemable non-controlling interest is classified in temporary equity on the interim condensed consolidated balance sheet, as the minority unitholder of VeriTread can put the remaining units to the Company for cash upon the achievement of certain performance targets, which is not within the control of the Company and is considered probable. An additional non-controlling interest of 4% held in VeriTread is classified within equity as that interest does not contain put/call options. At the end of each reporting period, if redemption of the redeemable non-controlling interest continues to be probable, then the carrying value of the redeemable non-controlling interest is adjusted to its estimated redemption value. The valuation of the redemption value at acquisition, and at each reporting period, requires management to assess whether VeriTread and the Company will be able to successfully achieve certain integration milestones and performance targets over a three-year period. At September 30, 2023 the Company determined that redemption of the redeemable non-controlling interest remains probable and that there has been no material change to the estimated redemption value.

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.

5. Business Combinations (continued)

VeriTread Preliminary Purchase Price Allocation

Total cash consideration paid	\$ 28.1
Fair value of previously held interest	4.3
Purchase price	<u>\$ 32.4</u>
Assets acquired:	
Cash and cash equivalents	3.4
Trade and other receivables, and other current assets	0.9
Intangible assets	14.7
Liabilities assumed:	
Trade and other liabilities	<u>1.1</u>
Fair value of identifiable net assets acquired	<u>17.9</u>
Redeemable non-controlling interest	(8.9)
Non-controlling interest	(1.8)
Goodwill acquired on acquisition	<u><u>\$ 25.2</u></u>

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

Asset	Preliminary fair value at acquisition	Weighted average amortization period
Customer relationships	\$ 7.2	5 years
Software and technology assets	7.1	7 years
Trade names and trademarks	0.4	2 years
Total	<u><u>\$ 14.7</u></u>	<u><u>5.9 years</u></u>

The amounts included in VeriTread's preliminary purchase price allocation are preliminary in nature and are subject to adjustment until management finalizes the valuation of intangible assets acquired. 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. Adjustments to the preliminary values during the measurement period may impact the amounts recorded as assets and liabilities with a corresponding adjustment to goodwill and will be recognized in the period in which the adjustments are determined.

The results of VeriTread's operations are included in these consolidated financial statements from the date of acquisition. Pro forma results have not been presented as such financial information would not be significantly different from historical results.

Goodwill

Goodwill relates to benefits expected from the acquisition of VeriTread's business, its assembled workforce and associated technical expertise, as well as anticipated synergies from applying VeriTread's transportation platform, network of transport carriers, equipment database and services to the Company's customer base. This acquisition is expected to accelerate the Company's marketplace strategy, which brings services, insights, and transaction solutions together to improve the overall customer experience. The transaction is considered a non-taxable business combination and the goodwill is not deductible for tax purposes.

(c) Terminated 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

5. Business Combinations (continued)

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 and on May 4, 2022, redeemed all of the 2021 Notes (Note 16) at a redemption price equal to 100% of the original offering price of the notes, plus accrued and unpaid interest.

6. Segment Information

The Company's principal business activity is the management and disposition of used commercial equipment, vehicles and other durable assets.

Effective as of the first quarter of 2023, the Company determined that its operations are comprised of one reportable segment following the acquisition of IAA on March 20, 2023. Effective early August 2023, with the departures of the then CEO and CFO, the former President and COO was appointed CEO. At the current time, the Company has begun a search for a new CFO. The new CEO, who is the Chief Operating Decision Maker ("CODM") of the Company, has formed his leadership team and operating structure and based on how he expects to review and assess performance of the combined business and allocate resources, we expect the Company to remain as one operating and reportable segment. The CODM does not evaluate the performance of the Company or assess allocation of resources at any level below the consolidated level or based on assets and liabilities.

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

Total revenue for the three months ended:	United States	Canada	Europe	Australia	Other	Consolidated
September 30, 2023	\$ 767.1	\$ 126.8	\$ 80.6	\$ 25.0	\$ 20.3	\$ 1,019.8
September 30, 2022	258.1	74.9	27.2	37.2	14.1	411.5
Total revenue for the nine months ended:						
September 30, 2023	\$ 1,881.5	\$ 383.4	\$ 223.1	\$ 90.3	\$ 60.4	\$ 2,638.7
September 30, 2022	721.5	283.5	102.0	138.0	44.9	1,289.9

7. Revenue

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Commissions	\$ 211.0	\$ 108.2	\$ 574.8	\$ 361.0
Buyer fees	457.6	74.5	1,062.2	237.1
Marketplace services revenue	105.2	64.0	286.4	179.9
Total service revenue	773.8	246.7	1,923.4	778.0
Inventory sales revenue	246.0	164.8	715.3	511.9
Total revenue	\$ 1,019.8	\$ 411.5	\$ 2,638.7	\$ 1,289.9

Commissions are earned from consignors on the sale of consigned assets at auctions and online marketplaces, and private brokerage services. Buyer fees are fees earned from the purchasers on the sale of consigned assets or from the sale of inventory at auctions and online marketplaces, and from private brokerage services. Marketplace services revenue includes fees earned from services provided to customers in marketplaces such as refurbishing, parts, data, transportation and logistics, inspection, appraisal, listings, financing and title and liens processing, as well as other auction-related fees.

8. Operating Expenses

Acquisition-related and Integration Costs

Acquisition-related and integration costs consist of operating expenses incurred in connection with business combinations, such as due diligence, advisory, legal, integration, severance, acceleration of share-based payments expense and share-based continuing employment costs. Integration costs primarily include costs with third-party consulting companies to support integration activities to achieve cost synergies and integration goals.

The following is a summary of our acquisition-related and integration costs:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
IAA				
Financing	\$ —	\$ —	\$ 30.0	\$ —
Severance	6.6	—	29.3	—
Integration	11.7	—	28.8	—
Acceleration of share-based payments expense	0.6	—	6.5	—
Legal	0.1	—	12.2	—
Investment banking, consulting and other acquisition-related costs	2.9	—	67.2	—
Settlement of pre-existing contractual arrangement	—	—	16.3	—
	21.9	—	190.3	—
Other acquisitions	1.2	2.0	5.3	15.1
Total acquisition-related and integration costs	\$ 23.1	\$ 2.0	\$ 195.6	\$ 15.1

During the second quarter of 2023, the Company paid \$20.0 million to settle a pre-existing contractual arrangement held by IAA prior to the acquisition for the benefit of the combined business. The payment extinguished \$3.7 million of related pre-acquisition accrued liabilities recognized on the balance sheet at acquisition and \$16.3 million was recognized in acquisition-related and integration costs.

Depreciation and Amortization

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Depreciation	\$ 24.9	\$ 7.8	\$ 61.9	\$ 23.5
Amortization	76.2	16.5	185.0	49.3
	\$ 101.1	\$ 24.3	\$ 246.9	\$ 72.8

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, 2023, income tax expense was \$23.1 million compared to an income tax expense of \$14.7 million for the same period in 2022. The effective tax rate was 27% in the third quarter of 2023, compared to 26% in the third quarter of 2022. A higher tax rate was observed in the third quarter of 2023 compared to the third quarter of 2022 primarily due to higher tax expense related to tax uncertainties. Partially offsetting this increase was a higher estimated benefit related to Foreign-Derived Intangible Income ("FDII").

9. Income Taxes (continued)

For the nine months ended September 30, 2023, income tax expense was \$46.5 million, compared to an income tax expense of \$72.6 million for the same period in 2022. The effective tax rate was 28% for the nine months ended September 30, 2023, compared to 21% for the nine months ended September 30, 2022. The effective tax rate increased in the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due an increase in the estimate of non-deductible expenses and the non-recurrence of the non-taxable gain portion on the sale of a parcel of land, including all buildings, in Bolton, Ontario. Partially offsetting these increases were a higher estimated benefit related to FDII, and a higher tax deduction for Performance Share Unit ("PSUs") and Restrictive Share Unit ("RSUs") expense that exceeded the related compensation expense.

The Canada Revenue Agency ("CRA") has been conducting audits of the Company's 2014, 2015, 2018, 2019 and 2020 taxation years. If the CRA challenges the manner in which the Company has filed its tax returns and reported its income with respect to any of the audits, the Company will have the option to appeal any such decision. While the Company believes it is, and has been, in full compliance with Canadian tax laws and expects to vigorously contest any proposed assessments or any notice of assessments or reassessments received from the CRA, the Company is unable to predict the ultimate outcome of these audits and the final disposition of any appeals pertaining to such audits. If the CRA makes an adverse determination and the Company is unsuccessful in appealing such determination reflected in any assessment or reassessment, then the Company could incur additional income taxes, penalties, and interest, which could have a material negative effect on its operations.

On February 13, 2023, the CRA issued a proposal letter to Ritchie Bros. Auctioneers (International) Ltd. asserting that one of its Luxembourg subsidiaries was resident in Canada from 2010 through 2015 and that its worldwide income should be subject to Canadian income taxation. The Luxembourg subsidiary was in operation from 2010 until 2020. In the event that the CRA issues a notice of assessment or reassessment, the Company expects to vigorously contest such notice as the Company disagrees with the assertion regarding Canadian residency. In the event that a court of competent jurisdiction makes a final determination that the income of the Luxembourg subsidiary for 2010 through 2015 was subject to Canadian income tax laws, the Company may ultimately be liable for additional total Canadian federal and provincial income tax of approximately \$26.0 million - \$30.0 million, exclusive of interest and penalties, for the period specified in the proposal letter. The CRA may also challenge the manner in which the Company has filed its tax returns and reported its income with respect to 2016 to 2020 taxation years and may assert that the income of the Luxembourg subsidiary was subject to Canadian income tax because the Luxembourg subsidiary was also resident in Canada during these years. The Company could then incur additional income taxes, penalties and interest which could have a material negative effect on its operations.

The Company replied to the CRA's proposal letter on June 12, 2023 and is awaiting a response. This matter with the CRA could take numerous years to be ultimately resolved.

10. Earnings Per Share Attributable to Common Stockholders

Basic EPS attributable to common stockholders has been calculated by dividing the net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS attributable to common stockholders was calculated by dividing the net income available to common 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, outstanding stock options and stock committed under the Employee Stock Purchase Plan ("2023 ESPP"), a plan implemented and approved by the Company on June 15, 2023. 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.

The weighted average shares outstanding used to calculate basic and diluted EPS attributable to common stockholders were not adjusted for the potential common shares to be issued to settle the cumulative dividend payments and allocated earnings attributable to the Series A Senior Preferred Shares as such amounts are expected to be cash settled at the Company's election.

10. Earnings Per Share Attributable to Common Stockholders (continued)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income available to common stockholders	\$ 54.7	\$ 42.9	\$ 99.1	\$ 274.4
Denominator:				
Basic weighted average share outstanding	182,148,717	110,838,237	161,724,677	110,750,021
Effect of dilutive securities:				
Share units	875,477	641,284	655,762	496,273
Stock options and ESPP	577,407	730,014	536,154	611,801
Diluted average shares outstanding	183,601,601	112,209,535	162,916,593	111,858,095
Net income per share attributable to common shares:				
Basic	\$ 0.30	\$ 0.39	\$ 0.61	\$ 2.48
Diluted	\$ 0.30	\$ 0.38	\$ 0.61	\$ 2.45

11. Supplemental Cash Flow Information

Net Changes in Operating Assets and Liabilities

Nine months ended September 30,	2023	2022
Trade and other receivables	\$ (224.2)	\$ (175.7)
Prepaid consigned vehicle charges	(57.4)	—
Inventory	(18.7)	(7.1)
Advances against auction contracts	(4.0)	(2.6)
Prepaid expenses and deposits	(0.7)	19.3
Income taxes receivable	(38.1)	12.5
Auction proceeds payable	152.9	159.3
Trade and other liabilities	60.8	(5.1)
Income taxes payable	(40.9)	32.5
Operating lease obligations	(89.4)	(9.8)
Other	(0.7)	6.5
Net changes in operating assets and liabilities	\$ (260.4)	\$ 29.8

Interest and Tax Payments

Nine months ended September 30,	2023	2022
Interest paid, net of interest capitalized	\$ 126.8	\$ 36.0
Interest received	15.8	3.2
Net income taxes paid	155.6	19.2
Non-cash purchase of property, plant and equipment under finance lease	10.2	7.5
Non-cash operating right of use assets obtained in exchange for new lease obligations	147.9	19.9

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.

Category	September 30, 2023		December 31, 2022		
	Carrying amount	Fair value	Carrying amount	Fair value	
<i>Fair values disclosed:</i>					
Loans receivable	Level 2	\$ 39.6	\$ 39.3	\$ 23.4	\$ 23.3
Derivative financial assets					
Forward currency contracts	Level 2	—	—	0.2	0.2
Derivative financial liabilities					
Forward currency contracts	Level 2	0.2	0.2	—	—
Long-term debt					
Senior secured and unsecured notes					
2016 Notes	Level 1	—	—	496.3	491.9
2023 Secured Notes	Level 1	542.8	547.3	—	—
2023 Unsecured Notes	Level 1	789.1	809.5	—	—
Term loans	Level 2	1,790.3	1,807.1	85.2	85.5

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 loans, before deduction of deferred debt issuance costs, approximate their fair values as the interest rates on the loans are short-term in nature. The fair values of the senior secured and unsecured notes are determined by reference to a quoted market price 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 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, 2023, losses of \$0.4 million and \$0.5 million (three- and nine-month periods ended September 30, 2022: losses 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.

14. Trade and Other Receivables

The Company generally has possession of assets or asset titles collateralizing a significant portion of trade receivables.

	September 30, 2023	December 31, 2022
Advanced charges receivable	\$ 359.8	\$ —
Trade accounts receivable	489.2	143.8
Consumption taxes receivable	16.8	31.2
Other receivables	47.8	11.5
Trade and other receivables, gross	913.6	186.5
Less: allowance for credit losses	(4.9)	(3.3)
Trade and other receivables, net	<u>\$ 908.7</u>	<u>\$ 183.2</u>

Other receivables include \$30.7 million (December 31, 2022: nil) for amounts to be collected from landlords of certain leased facilities for reimbursement of leasehold improvements.

The following table presents the activity in the allowance for expected credit losses for the nine-month period ended September 30, 2023:

Balance at December 31, 2022	\$ 3.3
Current period provision	3.7
Write-offs charged against the allowance	(2.1)
Balance at September 30, 2023	<u>\$ 4.9</u>

Loans Receivable

At September 30, 2023, 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, 2023 was \$39.6 million, of which \$11.5 million is recorded in trade and other receivables and \$28.1 million in non-current assets (December 31, 2022: \$23.4 million, of which \$8.0 million was recorded in trade and other receivables and \$15.4 million in non-current assets). The expected credit loss allowance is not significant.

15. Trade and Other Payables

	September 30, 2023	December 31, 2022
Trade payables	\$ 122.8	\$ 54.3
Accrued liabilities	238.2	119.3
Current portion of finance leases and equipment financing obligations	19.9	9.3
Deferred revenue	24.1	10.5
Social security and sales taxes payable	51.0	38.7
Net consumption taxes payable	19.1	14.5
Share unit liabilities	8.3	6.3
Book overdrafts	75.5	—
Other payables	20.1	5.8
Derivative financial liability	0.2	—
	<u>\$ 579.2</u>	<u>\$ 258.7</u>

Book overdrafts represent outstanding checks in excess of funds on deposit.

16. Debt

	Weighted Average Interest Rate % ¹	Carrying amount	
		September 30, 2023	December 31, 2022
Short-term debt		\$ 4.7	\$ 29.1
Long-term debt:			
Term loans (maturing September 2026):			
DDTL Facility loan denominated in Canadian dollars, secured	5.86 %	—	85.5
Term Loan A Facility loan denominated in Canadian dollars, secured ("CAD TLA Facility")	7.83 %	82.1	—
Term Loan A Facility loan denominated in US dollars, secured ("USD TLA Facility")	7.87 %	1,725.0	—
Less: unamortized debt issuance costs		(16.8)	(0.4)
Senior secured and unsecured notes:			
5.375% Senior unsecured notes due in January 2025 (the "2016 Notes")		—	500.0
Less: unamortized debt issuance costs		—	(3.6)
6.75% Senior secured notes due in March 2028 (the "2023 Secured Notes")		550.0	—
Less: unamortized debt issuance costs		(7.2)	—
7.75% Senior unsecured notes due in March 2031 (the "2023 Unsecured Notes")		800.0	—
Less: unamortized debt issuance costs		(10.9)	—
Total long-term debt		3,122.2	581.5
Total debt		\$ 3,126.9	\$ 610.6
Long-term debt:			
Current portion		\$ 41.2	\$ 4.4
Non-current portion		3,081.0	577.1
Total long-term debt		\$ 3,122.2	\$ 581.5

¹ The weighted average interest rate reflects the rate at the end of the period for the debt outstanding

At September 30, 2023, the Company had unused committed revolving credit facilities aggregating \$730.1 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, 2023.

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 4.0% at September 30, 2023 (at December 31, 2022: 5.8%).

16. Debt (continued)

Long-term Debt

a) Term Loans

During 2016, the Company entered into a credit agreement with a syndicate of lenders (as amended and restated, supplemented or otherwise modified from time to time, the “Credit Agreement”). The Credit Agreement is comprised of multicurrency revolving facilities (the “Revolving Facilities”), the delayed-draw term loan facility (the “DDTL Facility”), and the Term Loan A facility (the “TLA Facility” and together with the Revolving Facilities and DDTL Facility, the “Facilities”). The Credit Agreement matures on September 21, 2026. Beginning in the third quarter of 2022, the existing DDTL Facility, denominated in Canadian Dollars, was subject to an annual amortization rate of 5%, payable in quarterly installments, with the balance payable upon maturity.

In connection with the acquisition of IAA the Company entered into a debt commitment letter with certain financial institutions that committed to provide, subject to the terms and conditions, a bridge loan facility in an aggregate principal amount of up to \$2.8 billion and a backstop revolving facility in an aggregate principal amount of up to \$750.0 million. In December 2022, the Company subsequently amended the terms of its Credit Agreement which, among other things, permitted the acquisition of IAA and served to terminate the backstop commitments (including the revolving backstop facility and \$88.9 million of bridge commitments that served as a backstop for its existing term loans under the credit agreement) and replaced an additional \$1.8 billion of bridge commitments with further TLA Facility commitments.

On March 20, 2023, with the closing of the acquisition of IAA, \$1.8 billion of the TLA Facility was funded at an initial adjusted term SOFR of 7.54%. The TLA Facility is comprised of a facility denominated in US dollars (“USD TLA Facility”) and a facility denominated in Canadian dollars (“CAD TLA Facility”). The Company’s existing Canadian dollar DDTL Facility loan of CAD \$115.9 million was converted to a CAD TLA Facility loan, an alternative currency term rate loan, and continues to be subject to an annual amortization rate of 5%, payable in quarterly installments, with the balance payable upon maturity. Under the amended terms, mandatory principal repayments on the USD TLA Facility began in the second quarter of 2023 and are subject to quarterly installments of 1.25% of the \$1.8 billion principal amount, with the balance payable at maturity. On June 30, 2023, the Company repaid \$100.0 million of principal as permitted by the Credit Agreement, \$22.8 million of which was mandatory and due on June 30, 2023 and \$77.2 million of which was voluntary. The voluntary repayment of \$77.2 million was fully applied to the mandatory repayment amounts due on September 30, 2023, December 31, 2023, and March 31, 2024, and partially applied to the June 30, 2024 mandatory repayment. The next mandatory repayment is due on June 30, 2024 for \$14.1 million, and is recognized in the current portion of long term debt on the consolidated balance sheet, together with \$22.8 million mandatory repayment due on September 30, 2024. Further, under the terms of the amendment to the Credit Agreement made in December 2022, certain amended terms became effective including an increase to the total size of the Facilities to up to \$2.7 billion, including \$1.9 billion of commitments under the TLA Facility.

In connection with the funding of the TLA facility in the first quarter of 2023, the Company incurred debt issuance costs of \$22.5 million in connection with the amendment of the Credit Agreement and funding of the TLA Facility, of which \$1.4 million is included in non-current assets, \$20.5 million has been capitalized against the TLA Facility, and \$0.6 million is recorded in acquisition-related and integration costs.

At September 30, 2023, the Company had \$4.3 million unamortized deferred debt issue costs relating to the Revolving Facilities, all of which is included in non-current assets.

b) Senior Secured and 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”).

The 2016 Notes were redeemed on March 20, 2023 at 100.0% of their original offering price, plus accrued and unpaid interest. The Company was relieved of its obligations for the 2016 Notes upon redemption and therefore recognized the difference of \$3.3 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 2016 Notes in interest expense in the condensed consolidated income statement during the first quarter of 2023.

16. Debt (continued)

2021 Notes

On December 21, 2021, in connection with the proposed acquisition of Euro Auctions, 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 and (ii) \$425.0 million Canadian dollar aggregate principal amount of 4.950% senior notes due December 15, 2029 (together the “2021 Notes”). 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 condensed consolidated income statement during the second quarter of 2022.

2023 Notes

On March 15, 2023, the Company completed the offering of (i) \$550.0 million aggregate principal amount of 6.750% senior secured notes due March 15, 2028 (the “2023 Secured Notes”) and (ii) \$800.0 million aggregate principal amount of 7.750% senior unsecured notes due March 15, 2031 (the “2023 Unsecured Notes”, and together with the 2023 Secured Notes, the “2023 Notes”). The gross proceeds of the 2023 Notes were released from escrow on March 20, 2023 and were used, along with the TLA Facility, to fund the acquisition of IAA.

Interest on the 2023 Notes is payable in cash semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2023.

The 2023 Secured Notes are jointly and severally guaranteed on a senior secured basis and the 2023 Unsecured Notes are jointly and severally guaranteed on a senior unsecured basis by certain of the Company’s subsidiaries.

The Company incurred total debt issuance costs of \$19.7 million in connection with the issuance of the 2023 Secured Notes and 2023 Unsecured Notes, all of which has been capitalized and recorded as a reduction of the amounts outstanding under the 2023 Notes.

17. Temporary Equity, Equity and Dividends

Share Capital

Common Stock

Unlimited number of common shares, without par value.

Preferred Stock

Unlimited number of senior preferred stock, of which 485,000,000 are designated as Series A Senior Preferred Shares, and junior preferred shares, without par value, issuable in series. All issued shares are fully paid.

In January 2023, the Company entered into a securities purchase agreement with Starboard Value LP and certain affiliates (together, “Starboard”) pursuant to which Starboard agreed to purchase \$485.0 million of Series A Senior Preferred Shares, convertible into common shares of the Company, and \$15.0 million of common shares of the Company. The transaction closed on February 1, 2023 (the “Issue Date”).

The Series A Senior Preferred Shares are convertible into common stock at an initial conversion price of \$73.00 per share. The Series A Senior Preferred Shares carry an initial 5.5% preferred dividend, which is payable quarterly, in cash or in shares at the Company's option (“Preferential Dividends”), and are entitled to participate on an as-converted basis in the Company's regular quarterly common share dividends, subject to a \$0.27 per share per quarter floor (“Participating Dividends”). On the fourth anniversary of the Series A Senior Preferred Shares Issue Date, holders will have the right to increase the preferred dividend to 7.50%, and on the ninth anniversary of the Series A Senior Preferred Shares Issue Date, holders will have the right to increase the preferred dividend to a fixed percentage equal to the greater of (a) 600 bps over the daily simple SOFR as then in effect and (b) 10.50%, subject, in each case, to the Company’s right to redeem the Series A Senior Preferred Shares for which a dividend rate increase has been demanded (an “Increased Dividend Rate Demand”).

17. Temporary Equity, Equity and Dividends (continued)

In connection with any Increased Dividend Rate Demand, subject to certain conditions, and upon 45 days' notice to the holders, the Company will have the right to redeem all or any portion of the Series A Senior Preferred Shares then outstanding, at a price equal to 100% of the face amount of such Series A Senior Preferred Shares plus any accrued and unpaid dividends thereon. Additionally, at any time after the ninth anniversary of the Series A Senior Preferred Shares Issue Date, subject to certain conditions, and upon 45 days' notice to the holders, the Company will have the right to redeem all or any portion of the Series A Senior Preferred Shares then outstanding, at a price equal to 100% of the face amount of such Series A Senior Preferred Shares plus any accrued and unpaid dividends thereon.

Upon consummation of one or more specified change of control transactions, the holders will have the right to require the Company to repurchase the Series A Senior Preferred Shares in cash provided, however, that each holder, at its option, may elect instead to convert its Series A Senior Preferred Shares into the applicable change of control consideration. In addition, the Company has the right to redeem the Series A Senior Preferred Shares in the event of a change of control transaction where the successor entity is not traded on certain eligible markets. The possible future redemption of the Series A Senior Preferred Shares as a result of a change in control has been assessed as not probable at September 30, 2023.

Holders of the Series A Senior Preferred Shares are entitled to vote together with the Common Shares on an as-converted basis on all matters permitted by applicable law, subject to certain exceptions to enable compliance with applicable antitrust law.

The Series A Senior Preferred Shares rank, with respect to rights as to dividends, distributions, redemptions and payments upon the liquidation, dissolution and winding up of the Company, (a) senior to all of the junior preferred shares of the Company, Common Shares and any other class or series of capital shares of the Company, issued or authorized after the Series A Senior Preferred Shares Issue Date, (b) on a parity basis with each other class or series of capital shares issued or authorized after the Series A Senior Preferred Shares Issue Date, and (c) junior with each other class or series of capital shares issued or authorized after the Series A Senior Preferred Shares Issue Date.

Share-based Continuing Employment Costs

The Company issued common shares in connection with the acquisitions of Rouse and SmartEquip to certain previous unitholders and shareholders based on the fair market value of the Company's common shares at their respective acquisition dates. The Company records share-based continuing employment costs in acquisition-related and integration 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, 2022	85,560	\$ 71.09	42,646	\$ 68.39	128,206	\$ 70.19
Vested	(13,908)	71.09	—	—	(13,908)	71.09
Outstanding, September 30, 2023	71,652	\$ 71.09	42,646	\$ 68.39	114,298	\$ 70.08
Outstanding, December 31, 2021	189,665	\$ 71.09	63,971	\$ 68.39	253,636	\$ 70.41
Vested	(32,452)	71.09	—	—	(32,452)	71.09
Outstanding, September 30, 2022	157,213	\$ 71.09	63,971	\$ 68.39	221,184	\$ 70.31

In the three months ended September 30, 2023, the Company recognized \$0.3 million (September 30, 2022: \$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 at September 30, 2023.

At September 30, 2023, the unrecognized share-based continuing employment cost was \$0.9 million (at September 30, 2022: \$4.7 million), which is expected to be recognized over a weighted average period of 0.7 years.

17. Temporary Equity, Equity and Dividends (continued)

Change in Non-controlling Interest

On January 3, 2023, in connection with the acquisition of VeriTread (Note 5), the Company increased its investment in VeriTread from 11% to 75% for a total purchase consideration of \$28 million. The Company also entered into a put/call agreement with one of the minority unitholders under which the holder can put its remaining 21% interest in VeriTread to the Company, if certain performance targets are met. As the purchase of the remaining 21% interest from the minority unitholder is outside the control of the Company the redeemable non-controlling interest is classified in temporary equity on the condensed consolidated balance sheet. As discussed in Note 3, management applied judgement and assessed that it is probable that the redeemable non-controlling interest will be redeemed at a future date and accordingly the carrying value of the redeemable non-controlling interest is adjusted to its estimated redemption value.

The Company also recognized an additional 4% non-controlling interest in VeriTread within equity as that interest does not contain put/call options.

Dividends

Declared and Paid

The Company declared and paid the following dividends to common stockholders during the nine months ended September 30, 2023 and 2022:

Common Stock

	<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, 2023:					
Fourth quarter 2022	January 20, 2023	\$ 0.27	February 10,	\$ 30.0	March 3, 2023
Special Dividend	March 6, 2023	\$ 1.08	March 17, 2023	\$ 120.4	March 28, 2023
First quarter 2023	May 9, 2023	\$ 0.27	May 30, 2023	\$ 49.1	June 20, 2023
Second quarter 2023	August 2, 2023	\$ 0.27	August 23, 2023	\$ 49.2	September 13,
Nine months ended September 30, 2022:					
Fourth quarter 2021	January 21, 2022	\$ 0.25	February 11,	\$ 27.7	March 4, 2022
First quarter 2022	May 6, 2022	\$ 0.25	May 27, 2022	\$ 27.7	June 17, 2022
Second quarter 2022	August 3, 2022	\$ 0.27	August 24, 2022	\$ 29.9	September 14,

On March 6, 2023, the Company declared a special cash dividend of \$1.08 per share, contingent on the closing of the acquisition of IAA, payable to stockholders of record at the close of business on March 17, 2023 (the "Special Dividend"). The Special Dividend was paid in cash on March 28, 2023 following the acquisition of IAA.

Preferred Stock

During the three- and nine-month periods ended September 30, 2023, the Company recorded Preferential Dividends of \$6.7 million and \$17.6 million respectively to the holders of the Series A Senior Preferred Shares. At September 30, 2023, of the \$17.6 million, \$16.5 million has been paid and \$1.1 million is accrued and unpaid.

During the three- and nine-month periods ended September 30, 2023, the Company recorded Participating Dividends of \$1.8 million and \$5.4 million respectively to the holders of the Series A Senior Preferred Shares.

Declared and Undistributed

Subsequent to September 30, 2023, the Company's Board of Directors declared a quarterly dividend of \$0.27 cents per common share, payable on December 21, 2023 to common stockholders of record on November 30, 2023.

17. Temporary Equity, Equity and Dividends (continued)

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 net loss of \$4.9 million and \$4.3 million, respectively, for the three and nine months ended September 30, 2023 (three and nine months ended 2022: net loss of \$10.2 million and \$19.6 million).

18. Share-based Payments

Share-based payments consist of the following compensation costs:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Selling, general and administrative:				
Stock option compensation expense	\$ 1.1	\$ 3.2	\$ 5.4	\$ 8.9
Equity-classified share units	10.9	4.8	23.8	16.4
Liability-classified share units	0.1	0.1	0.6	0.4
Employee share purchase plan	1.3	0.7	2.6	2.1
	<u>13.4</u>	<u>8.8</u>	<u>32.4</u>	<u>27.8</u>
Acquisition-related and integration costs:				
Acceleration of share-based payments expense	0.6	—	6.5	—
Share-based continuing employment costs	0.9	1.9	2.9	6.1
	<u>1.5</u>	<u>1.9</u>	<u>9.4</u>	<u>6.1</u>
	<u>\$ 14.9</u>	<u>\$ 10.7</u>	<u>\$ 41.8</u>	<u>\$ 33.9</u>

Conversion of IAA Share Based Awards

In connection with the acquisition of IAA, IAA's stock options, RSU's and performance restrictive stock unit ("PRSU") awards were cancelled and exchanged into 187,727 Company stock options and 366,379 Company RSU awards. At the closing of the acquisition of IAA, the converted share-based awards had an estimated aggregate fair value of \$24.9 million, of which \$4.8 million was attributable to post-combination services and will be recognized as share-based payment expense over the remaining service periods. The Company awards are subject to the same terms and conditions as applicable to the corresponding IAA equity awards held prior to the acquisition of IAA, including vesting terms, with the exception of any Company RSU awards that replace IAA's PRSU awards, where vesting will no longer be subject to the achievement of performance goals and will be solely based on providing continued services to the Company through the end of the applicable service period.

IAA restricted stock awards and IAA phantom stock awards which were granted to non-employee directors of IAA, vested at closing of the acquisition of IAA and therefore do not have a future service requirement. Accordingly, the entire post-combination portion of such awards of \$0.3 million has been recognized as share-based payment expense concurrent with the closing of the acquisition of IAA.

In addition, certain former executives of IAA were terminated in connection with the acquisition of IAA and their outstanding share-based awards were fully accelerated as of the closing date. Accordingly, \$4.3 million has been recognized as share-based payment expense concurrent with the closing of the acquisition of IAA.

Stock Option Plans

On May 8, 2023, the Company's shareholders approved the 2023 Share Incentive Plan ("2023 Plan") under which 9,355,000 common shares of the Company were reserved for issuance. The 2023 Plan allows the Company to grant to employees, officers, non-employee directors and other key persons various types of equity-based awards, including stock options, performance-based restricted share units and time-based restricted share units. Beginning in the second quarter of 2023, all share-based awards granted are governed by the 2023 Plan. Equity awards granted under previous plans remain outstanding until expiration or settlement.

18. Share-based Payments (continued)

Stock option activity for the nine months ended September 30, 2023 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, 2022	2,730,295	\$ 46.88	7.3	\$ 31.2	1,118,432	\$ 91.26	4.7	\$ —
Granted	262,725	58.09	—	—	—	—	—	—
Assumed in IAA acquisition (Note 5)	187,727	50.96	—	—	—	—	—	—
Exercised	(351,349)	44.19	—	5.6	—	—	—	—
Forfeited/Expired	(135,497)	54.44	—	—	(171,065)	91.25	—	—
Outstanding, September 30, 2023	2,693,901	\$ 48.23	6.9	\$ 39.0	947,367	\$ 91.26	3.9	\$ —
Exercisable, September 30, 2023	1,808,780	\$ 43.55	6.1	\$ 34.5	45,757	\$ 91.37	3.9	\$ —

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, 2023 and 2022 are presented in the following table on a weighted average basis:

Nine months ended September 30,	2023	2022
Risk free interest rate	4.2 %	2.2 %
Expected dividend yield	1.84 %	1.74 %
Expected lives of the stock options	4 years	4 years
Expected volatility	35.8 %	31.8 %

At September 30, 2023, the unrecognized stock-based compensation cost related to the non-vested stock options was \$5.8 million, which is expected to be recognized over a weighted average period of 2.2 years.

The fair value of the assumed stock options is estimated on the IAA acquisition date using the Black-Scholes option pricing model. The weighted average fair value of the assumed options was \$15.52. The significant assumptions used to estimate the fair value of these assumed stock options are presented in the following table on a weighted average basis:

Nine months ended September 30,	2023
Risk free interest rate	3.9 %
Expected dividend yield	2.05 %
Expected lives of the stock options	2 years
Expected volatility	33.3 %

Premium-priced Stock Options

The Company has granted 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 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 nine-month period ended September 30, 2022 was \$8.00 per option.

18. Share-based Payments (continued)

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

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

There were no premium-priced stock options granted during the nine-month period ended September 30, 2023.

At September 30, 2023, the unrecognized stock-based compensation cost related to the premium-priced stock options was \$1.7 million, which is expected to be recognized over a weighted average period of 1.1 years.

Share Unit Plans

Share unit activity for the nine months ended September 30, 2023 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, December 31, 2022	662,634	\$ 51.71	102,879	\$ 66.08	68,024	\$ 58.32	108,365	\$ 39.35
Granted	93,557	57.96	80,070	85.33	424,599	53.37	18,877	54.01
Assumed in IAA acquisition (Note 5)	—	—	—	—	366,379	52.79	—	—
Vested and settled	(283,086)	42.23	—	—	(257,610)	52.85	—	—
Forfeited	(57,492)	60.58	(9,017)	68.59	(9,064)	57.16	—	—
Outstanding at September 30, 2023	415,613	\$ 58.35	173,932	\$ 74.81	592,328	\$ 53.75	127,242	\$ 41.53

The total market value of liability-classified share units vested and released during the first nine months of 2023 was nil (2022: nil).

Senior Executive and Employee PSU Plans

The Company has granted 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 the 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.

In August 2023, the Company granted 159,475 PSU’s to senior executives, half of which vest based on performance vesting conditions and half of which vest based on market performance vesting conditions, specifically conditional upon the Company’s total shareholder return relative to the performance of a peer group. The PSU’s granted have a three year performance period beginning on January 1, 2023.

At September 30, 2023, the unrecognized share unit expense related to equity-classified PSUs without market conditions was \$9.5 million, which is expected to be recognized over a weighted average period of 1.9 years.

18. Share-based Payments (continued)

PSUs with Market Conditions

The Company has granted 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 PSU's with market conditions granted in June 2022 have approximately a two year performance period to coincide with the remaining performance period of the August 2021 PSU grant.

The fair value per PSU granted in August 2023, during the three-month period ended September 30, 2023, was \$85.33 and the fair value was calculated on the grant date using a Monte Carlo simulation model.

The fair value per PSU granted in June 2022, recorded in the three-month period ended September 30, 2022 was \$69.92, and was calculated on the grant date using the Monte Carlo simulation model which also 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%.

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

Nine months ended September 30,	2023	2022
Risk free interest rate	4.5 %	2.7 %
Expected dividend yield	— %	1.63 %
Expected lives of the PSUs	2 years	2 years
Expected volatility	32.7 %	33.4 %
Average expected volatility of comparable companies	48.6 %	34.4 %

At September 30, 2023, the unrecognized share unit expense related to equity-classified PSUs with market conditions was \$6.1 million, which is expected to be recognized over a weighted average period of 2.3 years.

RSUs

During the three months ended September 30, 2023, the Company granted 88,889 restricted share units under the 2023 Plan 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, 2023, the unrecognized share unit expense related to equity-classified RSUs was \$20.1 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, 2023, the Company had a total share unit liability of \$8.3 million (at December 31, 2022: \$6.3 million) in respect of share units under the DSU plans.

Employee Stock Purchase Plan

In February 2023, the Board approved the suspension of the Company's 1999 Employee Stock Purchase Plan.

On April 3, 2023, the Board approved a new Employee Stock Purchase Plan, which was subsequently approved by the Company's shareholders on May 8, 2023. Effective June 15, 2023, the Company implemented the 2023 ESPP which allows eligible employees to contribute up to 15% of their base compensation, up to twenty-five thousand dollars, towards the purchase of the Company's stock, at 85% of the lower of the fair market value on the first day of the applicable offering period or on the last day of the applicable purchase

18. Share-based Payments (continued)

period within the offering period. The first offering period began on July 3, 2023, ends on the last trading day on or prior to November 15, 2023 and includes one purchase period. Subsequent offering periods are for twelve month periods, beginning on the first trading day on or after May 15 and November 15 of each calendar year and include two consecutive purchase periods of six months each. At the end of each purchase period, employee contributions are used to purchase the Company's common stock. On May 9, 2023, the Company registered 3,000,000 shares of common stock for future issuance under the 2023 ESPP, all of which remain available to be issued. During the nine months ended September 30, 2023, no shares were issued under the 2023 ESPP.

19. Leases

The Company enters into commercial leases for various auctions sites, branches and offices, the majority of which are non-cancellable, and additional operating leases for computer equipment, motor vehicles and small office equipment. With the exception of one lease expiring in 2092, the majority of the Company's operating leases have a fixed term with a remaining life between one month and 20 years, with renewal options included in the contracts. The leases have varying contract terms, escalation clauses and renewal options.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Operating lease cost	\$ 59.9	\$ 6.1	\$ 132.1	\$ 17.1
Finance lease cost				
Amortization of leased assets	\$ 2.6	\$ 2.5	\$ 8.5	\$ 7.7
Interest on lease liabilities	\$ 0.3	\$ 0.2	\$ 0.9	\$ 0.5
Short-term lease cost	\$ 4.7	\$ 2.8	\$ 12.4	\$ 9.2
Sublease income	\$ —	\$ —	\$ (0.1)	\$ —
	<u>\$ 67.5</u>	<u>\$ 11.6</u>	<u>\$ 153.8</u>	<u>\$ 34.5</u>

20. Contingencies

Legal and Other Claims

On July 31, 2023, Ann Fandozzi informed the Company's Board of her intention to resign from her position as the Company's Chief Executive Officer due to a disagreement with the Company regarding her compensation as Chief Executive Officer, as discussed in the Company's August 2, 2023 press release. The Board accepted her verbal resignation and interpreted her subsequent conduct as affirmation of her resignation. The Company advised Ms. Fandozzi that it was accepting her resignation effective immediately and waiving any written procedural notice requirements under the Employment Agreement by and between Ritchie Bros. Auctioneers (Canada) Ltd. and Ms. Fandozzi, dated December 14, 2019. Ms. Fandozzi disputes that she tendered her resignation. The parties have agreed to mediate the dispute which is scheduled to commence in January 2024.

During the three-month period ending September 30, 2023, the Company recorded an expense of \$5.5 million reflecting the current best estimate of a settlement amount, net of a recapture of previously recognized compensation expense based on the terms of Ms. Fandozzi's employment agreement following her resignation. Any changes to the estimated payment amount as a result of the settlement of the matter could be material.

The Company has also asked for but has not received Ms. Fandozzi's resignation as a director. Absent Ms. Fandozzi tendering her resignation as requested, she remains a director on the Board.

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 condensed consolidated balance sheet or income statement.

Guarantee Contracts

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

At September 30, 2023, there were \$85.2 million of assets guaranteed under contract, of which 93% is expected to be sold prior to December 31, 2023, with the remainder to be sold by December 31, 2024 (at December 31, 2022: \$31.0 million of which 62% was expected to be sold prior to the end of March 31, 2023 with the remainder to be sold by December 31, 2023).

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

21. Subsequent Events

In October 2023, the Company received notice from one of IAA's customers, which comprises approximately 3% of total consolidated revenues, that they would be shifting their assignment volume away from IAA. The Company expects the assignment volume shift to begin in the fourth quarter of 2023, with the majority of the impact on revenues beginning in the first quarter of 2024.

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 may include, among others, statements relating to:

- our future strategy, objectives, targets, projections and performance;
- potential growth and market opportunities;
- potential future mergers and acquisitions;
- our ability to integrate acquisitions (including IAA, Inc. ("IAA"));
- 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, 2022, and in "Part II, Item 1A: Risk Factors" of our quarterly report on Form 10-Q for the period ended March 31, 2023, which are available on our website at <https://investor.rbglobal.com>, on EDGAR at www.sec.gov, or on SEDAR at www.sedar.com, are among those that we consider may affect our performance materially or could cause our actual financial and operational results to differ significantly from our expectations. Except as required by applicable securities law and regulations of relevant securities exchanges, we do not intend to update publicly any forward-looking statements, even if our expectations have been affected by new information, future events or other developments.

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

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

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 U.S. 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 U.S. GAAP financial measures are included either with the first use thereof or in the Non-GAAP Measures section within this document (refer to pages 49-55).

¹ GTV represents total proceeds from all assets sold at our auctions, online marketplaces or from private brokerage services. GTV is not a measure of financial performance, liquidity, or revenue, and is not presented in our consolidated financial statements.

Overview

RB Global, Inc., formerly known as Ritchie Bros. Auctioneers Incorporated and its subsidiaries (collectively referred to as the “RB Global”, 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 for commercial assets, used equipment, automotive and other assets. Our expertise, unprecedented global reach, market insights, and trusted portfolio of brands provide us with a unique position within the asset resale market.

Through our unreserved and reserved auctions, online marketplaces, listings, and private brokerage services, we sell a broad range of primarily used commercial and industrial assets, vehicles as well as government surplus assets. Construction and commercial transportation assets and vehicles comprise the majority of the assets sold based on GTV dollar value, though we sell a wide variety of assets. Customers selling equipment through our sales channels include end users (such as construction companies), insurance companies, vehicle and equipment dealers, fleet lease companies, original equipment manufacturers (“OEMs”) and other asset owners (such as rental companies). Our customers participate in a variety of sectors, including construction, commercial transportation, automotive, 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 asset services and solutions. Our other services include equipment financing, asset appraisals and inspections, online equipment listing, transportation and logistical services, and ancillary services such as equipment refurbishment, towing, and title and liens processing. 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 vehicle merchandising, asset lifecycle management and 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 13 countries, including the United States, Canada, the United Kingdom, Australia, the United Arab Emirates, and the Netherlands, and maintain a presence in 42 countries where customers can sell from their own yards. In addition, with the acquisition of IAA, we now employ more than 7,900 full-time employees worldwide.

Recent Developments

Acquisition of IAA

On March 20, 2023, we completed the acquisition of IAA, a leading global digital marketplace connecting vehicle buyers and sellers with operations throughout the United States, Canada, and the United Kingdom. IAA facilitates the marketing and sale of total loss, damaged and low-value vehicles for a full spectrum of sellers, including insurance companies, dealerships, fleet lease and rental car companies and charitable organizations. Additionally, IAA serves a global buyer base with vehicles, vehicle rebuild requirements, replacement part inventory or scrap demand.

On November 7, 2022, we entered into an Agreement and Plan of Merger and Reorganization with IAA, which was subsequently amended on January 22, 2023 (the “Merger Agreement”). Pursuant to the terms of the Merger Agreement, IAA stockholders received \$12.80 per share in cash and 0.5252 shares of the Company for each share of IAA common stock they owned (the “Exchange Ratio”). As such, we paid approximately \$1.7 billion in cash consideration and issued 70.3 million shares of its common stock. In addition, we repaid approximately \$1.2 billion of IAA’s net debt, including repayment of outstanding principal and associated accrued interest and prepayment costs under IAA’s credit agreement, and \$500.0 million principal amount of IAA’s senior notes, at a redemption price equal to 102.75% of the principal amount plus accrued and unpaid interest.

Further information regarding the transaction is described in “Item 1 – Financial Statements: Note 5 Business Combinations.”

We expect that the acquisition of IAA will accelerate our journey to become the trusted global marketplace for insights, services and transaction solutions, as well as diversify our customer base by providing us with a significant presence in the automotive vertical, an industry with strong fundamentals and proven secular growth. We expect that the combination will accelerate our growth and strategic vision to create a next-generation global marketplace for commercial assets and vehicles, supported by advanced technologies and data analytics. Additionally, our management team has extensive experience in the automotive and insurance ecosystem, which we expect will help shape the customer experience going forward. With enhanced scale and an expanded addressable market, we expect to be able to drive additional GTV growth through our platforms and auction sites, in turn generating more insights for our customers and expanding the adoption of our other high-margin tech-enabled services.

Acquisition of VeriTread

On January 3, 2023, we acquired a majority interest in VeriTread LLC (“VeriTread”), a leading transportation technology company that provides an online marketplace solution for open deck transport, connecting shippers and service providers. We acquired 8,889,766 units of VeriTread for approximately \$25.2 million cash consideration from its existing unitholders and acquired another 1,056,338 units for \$3.0 million cash. As a result, we increased our investment in VeriTread from 11% to 75% and obtained control of VeriTread, pursuant to an amended operating agreement on January 18, 2023.

VeriTread adds to our suite of services, supporting the needs of equipment owners throughout the equipment lifecycle by integrating transportation solutions directly into our new marketplace technology. We expect that the acquisition, in combination with our satellite yards, will allow us to further scale and accelerate our hybrid marketplace model through increased capacity optimization and seamless customer experiences.

Series A Senior Preferred Shares

In January 2023, the Company entered into a securities purchase agreement with Starboard Value LP and certain affiliates (together, “Starboard”) pursuant to which Starboard agreed to purchase \$485.0 million of participating preferred stock convertible into common shares of the Company at an initial conversion price of \$73.00 per share (“Series A Senior Preferred Shares”), and \$15.0 million of common shares of the Company. The transaction closed on February 1, 2023.

The Series A Senior Preferred Shares carry an initial 5.5% preferred dividend, which is payable quarterly, and are entitled to participate on an as-converted basis in the Company’s regular quarterly common share dividends, subject to a \$0.27 per share per quarter floor. Holders will have the right to increase the preferred dividend on the fourth and ninth anniversary of the issue date, and upon any such dividend demand increase the Company will have the right to redeem all or any portion of the Series A Senior Preferred Shares then outstanding at a price equal to 100% of the face amount, plus any accrued and unpaid dividends thereon. This right is subject to certain conditions, and upon 45 days’ notice to the holder from the Company.

Impact of Inflation on Our Business

While inflation rates continue to slow across our major geographic regions globally, we continue to experience elevated costs across our business operations as a result of inflation in 2023.

Service Offerings

We offer our customers multiple distinct, complementary, multi-channel brand solutions that address the range of their buying and selling needs for equipment, vehicles and other types of assets. Our global customer base has a variety of transaction options, breadth of services, and the widest selection of used assets available to them. For a complete listing of channels and brand solutions available subsequent to the acquisitions of IAA and VeriTread, please refer to our quarterly report on Form 10-Q for the period ended March 31, 2023, which is available on our website at <https://investor.rbglobal.com>, on EDGAR at www.sec.gov, or on SEDAR at www.sedar.com.

Contract Options

We offer consignors several contract options to meet their individual needs and sale objectives on our onsite and online marketplaces for selling used equipment or vehicles, which include:

- Straight commission contracts, where the consignor receives the gross proceeds from the sale less a pre-negotiated commission rate;
- Fixed commission contracts, where the consignor receives the gross proceeds from the sale less a pre-negotiated fixed commission fee;
- Guarantee commission 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 and vehicles convenient for our customers, including refurbishment services such as repair, paint and make-ready services, and parts services to connect equipment owners with parts manufacturers, inspection and appraisals, financial services through Ritchie Bros. Financial Services

("RBFS") and loan payoff services through IAA, end-to-end transportation and logistics services, as well as other services such as insights, data intelligence, performance benchmarking solutions, and title and liens processing. We offer equipment listing services under the RitchieList brand in North America and Mascus brand in Europe to make private selling more efficient and safer for customers, including a secure transaction management service, complete with invoicing. We also provide an innovative technology platform that supports customers' vehicle merchandising, manages the asset life cycle and integrates procurement with both original equipment manufacturers ("OEM") and dealers.

Seasonality

Our operations are both seasonal and event driven and can fluctuate from quarter to quarter. The volume of assets sold through our auctions and marketplaces is driven by the supply of assets available for sale, as well as changes in severe weather conditions. During the third quarter, supply of assets is generally low as commercial and transportation equipment is actively being used and mild weather conditions and decreases in traffic volume can contribute to a decline in available supply of vehicles.

Revenue Mix Fluctuations

Our revenue is comprised of service revenue and inventory sales revenue. Service revenue includes: (1) commissions where a pre-negotiated commission or fixed fee is earned from our consignors or sellers, (2) buyer fees earned at our auctions, online marketplaces, and private brokerage services, and (3) marketplace services fees earned from various services provided to buyers and sellers, which include ancillary, parts, data, towing, logistics, inspection, appraisal, online listing, financing and title and liens processing services, as well as auction-related services such as documentation and title search services. Inventory sales revenue relates to revenue earned through our inventory contracts and is recognized at the GTV of the assets sold, with the related cost recognized in cost of inventory sold.

Our revenue can fluctuate significantly, depending on the mix of sales arrangements completed during each period. Completed straight commission, fixed commission or guarantee commission contracts result in the commission being recognized as service revenue based on a percentage of gross transaction value or based on a fixed value, while completed inventory contracts result in the full GTV of the assets sold being recorded as inventory sales revenue. As a result, a change in the revenue mix between service revenue and revenue from inventory sales can have a significant impact on our revenue growth percentages.

Performance Overview and Consolidated Results

Net income available to common stockholders for the third quarter of 2023 increased 28% to \$54.7 million, compared to \$42.9 million income for the third quarter of 2022. Diluted earnings per share ("EPS") available to common stockholders decreased 21% to \$0.30 per share in the third quarter of 2023 as compared to \$0.38 per share in the third quarter of 2022. Diluted adjusted EPS available to common stockholders increased 36% to \$0.72 per share in the third quarter of 2023 compared to \$0.53 per share in the third quarter of 2022.

For the third quarter of 2023, as compared to the third quarter of 2022:

- Total GTV increased 185% to \$3.9 billion mainly due to the inclusion of \$2.2 billion from IAA.
- Total revenue increased 148% to \$1.0 billion, mainly due to the inclusion of \$557.4 million from IAA.
 - Service revenue increased 214% to \$773.8 million, mainly due to the inclusion of \$478.3 million from IAA.
 - Inventory sales revenue increased 49% to \$246.0 million, mainly due to the inclusion of \$79.1 million from IAA.
- Net income increased 47% to \$63.2 million.
- Adjusted EBITDA increased 179% to 285.8 million.
- Cash on hand was \$559.2 million, of which \$428.3 million was unrestricted.

Other Company Developments

- In October 2023, the Company, along with Nations Capital, LLC ("Nations"), received bankruptcy court approval to be the agent and liquidator of Yellow Corporation's transportation assets. The Company and Nations intend to utilize the expansive footprint of RB Global to manage the relocation, transportation, refurbishment, inventory, storage and sale of the rolling stock assets, including approximately 60,000 units of trucks, trailers and miscellaneous equipment located across the United States and Canada at over 300 terminal locations. The Company and Nations intend to implement a multi-faceted sales strategy, including private treaty and strategic bulk sales, as well as live and fully digital formats.
- In October 2023, the Company received notice from one of IAA's customers, which comprised approximately 4% of GTV, 5% of lot volumes and 3% of total consolidated revenues on an annual run-rate basis, that they would be shifting their assignment volume away from IAA. We expect the assignment volume shift to begin in the fourth quarter of 2023, with the majority of the impact on revenues beginning in the first quarter of 2024.

Results of Operations

The following table summarizes key components of our results of operations for the periods indicated:

(in U.S. dollars in millions, except EPS and percentages)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	2023	2022	% Change
			2023 over 2022			2023 over 2022
Commissions	\$ 211.0	\$ 108.2	95 %	\$ 574.8	\$ 361.0	59 %
Buyer fees	457.6	74.5	514 %	1,062.2	237.1	348 %
Marketplace services revenue	105.2	64.0	64 %	286.4	179.9	59 %
Total service revenue	773.8	246.7	214 %	1,923.4	778.0	147 %
Inventory sales revenue	246.0	164.8	49 %	715.3	511.9	40 %
Total revenue	1,019.8	411.5	148 %	2,638.7	1,289.9	105 %
Costs of services	316.8	41.5	663 %	680.5	125.6	442 %
Cost of inventory sold	230.0	147.3	56 %	673.4	455.0	48 %
Selling, general and administrative	203.5	133.2	53 %	546.2	404.1	35 %
Acquisition-related and integration costs	23.1	2.0	1,055 %	195.6	15.1	1,195 %
Total operating expenses	874.5	348.3	151 %	2,342.6	1,072.6	118 %
Gain on disposition of property, plant and equipment	0.5	0.3	67 %	4.4	170.5	(97)%
Operating income	145.8	63.5	130 %	300.5	387.8	(23)%
Net income	63.2	42.9	47 %	121.8	274.4	(56)%
Net income available to common stockholders	54.7	42.9	28 %	99.1	274.4	(64)%
Adjusted net income available to common stockholders	132.7	59.8	122 %	351.5	194.0	81 %
Adjusted EBITDA	285.8	102.5	179 %	725.4	343.7	111 %
Diluted earnings per share available to common stockholders	\$ 0.30	\$ 0.38	(21)%	\$ 0.61	\$ 2.45	(75)%
Diluted adjusted earnings per share available to common stockholders	\$ 0.72	\$ 0.53	36 %	\$ 2.16	\$ 1.73	25 %
Effective tax rate	26.8 %	25.5 %	130bps	27.6 %	20.9 %	670bps
Total GTV	\$ 3,875.4	\$ 1,358.2	185 %	\$ 9,918.6	\$ 4,481.6	121 %
Service GTV	3,629.4	1,193.5	204 %	9,203.3	3,969.7	132 %
Total service revenue take rate	20.0 %	18.2 %	180bps	19.4 %	17.4 %	200bps
Inventory GTV	246.0	164.8	49 %	715.3	511.9	40 %
Inventory return	\$ 16.0	\$ 17.5	(9)%	\$ 41.9	\$ 56.9	(26)%
Inventory rate	6.5 %	10.6 %	(410)bps	5.9 %	11.1 %	(520)bps

The following table presents the selected results of RBA and IAA.

(in U.S. dollars in millions)	Three months ended September 30, 2023			Nine months ended September 30, 2023		
	RBA	IAA	Total	RBA	IAA *	Total
Commissions	\$ 124.6	\$ 86.4	\$ 211.0	\$ 389.3	\$ 185.5	\$ 574.8
Buyer fees	95.8	361.8	457.6	286.8	775.4	1,062.2
Marketplace services revenue	75.1	30.1	105.2	225.3	61.1	286.4
Total service revenue	295.5	478.3	773.8	901.4	1,022.0	1,923.4
Inventory sales revenue	166.9	79.1	246.0	539.6	175.7	715.3
Total revenue	\$ 462.4	\$ 557.4	\$ 1,019.8	\$ 1,441.0	\$ 1,197.7	\$ 2,638.7
Service GTV	\$ 1,506.5	\$ 2,123.0	\$ 3,629.4	\$ 4,619.3	\$ 4,584.0	\$ 9,203.3
Inventory GTV	166.9	79.0	246.0	539.6	175.7	715.3
Total GTV	1,673.4	2,202.0	3,875.4	5,158.9	4,759.7	9,918.6
Total service revenue take rate	17.7 %	21.7 %	20.0 %	17.5 %	21.5 %	19.4 %

* Includes financial results of IAA in our consolidated financial statements during the three- and nine-month periods ending September 30, 2023 since its acquisition on March 20, 2023.

Total GTV

Total GTV increased 185% to \$3.9 billion in the third quarter of 2023 and increased 121% to \$9.9 billion in the first nine months of 2023, of which IAA accounted for 88% of the increases in each period. Excluding IAA, total GTV increased 23% to \$1.7 billion in the third quarter of 2023 and increased 15% to \$5.2 billion in the first nine months of 2023.

In the third quarter of 2023, total GTV increased year-over-year, partly driven by the inclusion of IAA. IAA contributed \$2.2 billion, or 57%, of total GTV, generating strong volumes in the automotive sector primarily across North America. Excluding IAA, the increase in total GTV was driven by higher lot volumes primarily from rental and transportation customers as supply chain has continued to normalize, partially offset by lower prices and an unfavorable asset mix. Total GTV increased across all regions, most notably in the United States where we saw strong execution by both our strategic accounts and regional sales teams generating positive year-over-year performances at our regional events. In Canada, we also saw improved year-over-year performances at our auction events, benefiting from higher performance from our regional sales team, as well as increased imports from Asia Pacific. In International, GTV increased mainly due to the favorable impact of foreign exchange, primarily in Europe.

For the first nine months of 2023, total GTV increased year-over year, mainly due to the inclusion of GTV from IAA since its acquisition on March 20, 2023. IAA contributed \$4.8 billion, or 48%, of total GTV during the first nine months of 2023. Excluding IAA, GTV increased mainly in the United States for the same reasons as discussed above, as well as from the additional of several new auction events. In Canada, GTV increased driven by positive year-over-year performances at our auction events, mainly in the oil and gas sector, as well as for the same reasons as discussed above, partially offset by an unfavorable foreign exchange impact. In International, GTV increased mainly due to the favorable impact of foreign exchange in Australia, offset by the unfavorable impact of foreign exchange in Europe.

Total Revenue

Total revenue increased 148% to \$1.0 billion in the third quarter of 2023, with total service revenue increasing by 214% and inventory sales revenue increasing by 49%. IAA contributed \$557.4 million, or 55% of total revenues in the third quarter of 2023. Excluding IAA, total revenue increased 12% to \$462.4 million for the third quarter of 2023, with total service revenue increasing by 20% and inventory sales revenue increasing by 1%.

Total revenue increased 105% to \$2.6 billion in the first nine month of 2023, with total service revenue increasing by 147% and inventory sales revenue increasing by 40%. IAA contributed \$1.2 billion, or 45% of total revenue in the first nine months of 2023 since its acquisition on March 20, 2023. Excluding IAA, total revenue increased 12% to \$1.4 billion for the first nine months of 2023, with total service revenue increasing by 16% and inventory sales revenue increasing by 5%.

Commissions include revenue earned from consignors or sellers from the sale of assets from straight, fixed or guarantee commission contracts. Buyer fees include buyer fees earned from purchasers on the sale of inventory or consigned equipment. Marketplace services revenue includes fees earned from value-added services provided to customers such as refurbishment, parts, data, transportation and logistics, inspection, appraisals, online listing, financing and title and liens processing.

Foreign currency fluctuation also had an unfavorable impact on our revenues on a year-to-date basis, primarily due to the depreciation of the Canadian dollar and the Australian dollar relative to the U.S. dollar.

Service Revenue

Service revenue is comprised of commissions earned on Service GTV, buyer fees earned on total GTV, as well as revenues earned from our marketplace services.

In the three and nine months ended September 30, 2023, Service GTV increased 204% to \$3.6 billion and 132% to \$9.2 billion, respectively, primarily due to the inclusion of IAA and particularly in the United States region in the automotive, rental and transportation sectors.

In the third quarter of 2023, total service revenue increased 214% in line with higher Service GTV, with buyer fees increasing 514%, commissions increasing 95%, and marketplace services revenue increasing 64%.

Buyer fees increased 514%, higher than the 185% increase in total GTV, mainly due to higher buyer fee rates with the inclusion of IAA. In the third quarter of 2023, IAA contributed \$361.8 million, or 79%, of total buyer fees, driven by volume growth and higher buyer fee rates. Excluding IAA, we also saw higher buyer fees due to minimum buyer fee rate increases implemented in early 2023.

Commissions revenue increased 95%, less than the 204% increase in Service GTV mainly due to the inclusion of IAA, as IAA earns lower commission rates on Service GTV through its fixed fee commission contracts with its consignors. In addition, we saw softer guarantee rate performances in the United States, as well as softer straight commission rate performances in both the United States and Canada, mainly from higher volumes sold by our strategic accounts teams.

Marketplace services revenue increased 64% in the third quarter of 2023 driven by the inclusion of IAA, which contributed 73% of the increase and primarily included auction-related buyer services and subscription fees, salvage in-bound towing services, as well as title and liens processing fees. Excluding IAA, we saw higher marketplace services revenue from higher document fees driven by document fee rate increases implemented in early 2023, as well as from the harmonization of document fee rates in our online marketplaces. Further increases were driven by higher online listing fee rates in the United States and the inclusion of transportation services revenue from VeriTread.

For the first nine months of 2023, total service revenue increased 147%, in line with higher Service GTV, with buyer fees increasing 348%, marketplace services revenue increasing 59%, and commissions increasing 59%. Buyer fees increased 348%, higher than the 121% increase in total GTV, mainly due to higher volumes and higher buyer fee rates with the inclusion of IAA. Excluding IAA, buyer fees grew higher than total GTV driven by higher minimum buyer fee rates and a higher proportion of lower value lots primarily in the United States. Marketplace services revenue increased 59% mainly for the same reasons as discussed above. Commissions revenue increased 59%, less than the 132% increase in Service GTV, mainly for the same reasons as discussed above. In addition, in Canada, we saw softer straight commission rate performances on several large contracts in the oil and gas sector, which were made strategically to continue to remain competitive.

Inventory Sales Revenue

In the third quarter of 2023, inventory sales revenue increased 49% primarily due to the inclusion of IAA, which contributed 97% of the increase. Excluding IAA, inventory sales revenue was slightly higher, with increases in the United States and Canada, mainly in the construction sector. In International, we saw lower inventory sales activity, particularly in Australia, partly due to a shift in its revenue mix.

For the first nine months of 2023, inventory sales revenue increased 40% mainly due to the inclusion of IAA, which contributed 86% of the increase. Excluding IAA, the United States saw higher inventory sales revenue driven by increased volume of inventory packages, partly sourced from our strategic accounts team, as well as from the addition of several new auction events. Despite volume growth, we also saw softer price realization on various inventory packages. In International, in Australia, we saw softer year-over-year performances primarily for the same reasons as discussed above, as well as an event from prior year which did not repeat.

Costs of Services

For the three and nine months ended September 30, 2023, costs of services increased 663% to \$316.8 million and 442% to \$680.5 million, respectively, of which IAA accounted for 84% and 77%, respectively. Cost of services for IAA includes direct expenses at auction yards which conduct regular weekly events, employee compensation expenses, building and facility costs including operating lease costs for auction sites, as well as costs to provide title, search and towing services to buyers. Excluding IAA, in the third quarter of 2023, we saw higher cost of services in line with total GTV growth, which included higher employee compensation expenses, higher advertising and travel costs to support higher activity, including on-site customer events, as well as higher transportation costs from the inclusion of VeriTread since its acquisition in the beginning of 2023. For the first nine month of 2023, we saw higher costs from our ancillary services, in line with higher ancillary revenue, as well as higher cost of services for the same reasons as discussed above.

Cost of Inventory Sold

For the three and nine months ended September 30, 2023, inventory rate decreased to 6.5% from 10.6% and to 5.9% from 11.1%, respectively, mainly driven by unfavorable pricing conditions, particularly in North America, where prices declined faster than anticipated between the purchase and sale date of inventory.

For the three and nine months ended September 30, 2023, cost of inventory sold increased 56% to \$230.0 million and 48% to \$673.4 million, respectively, while inventory sales revenue increased 49% and 40%, respectively. Cost of inventory sold increased at a higher rate than the increase in inventory sales revenue as a result of softer performances on our inventory contracts driven by a higher proportion of inventory packages with unfavorable pricing conditions, primarily in North America, offset by higher inventory rates due to the inclusion of IAA.

Selling, General and Administrative

In the third quarter of 2023, selling, general and administrative expenses increased 53% to \$203.5 million mainly due to the inclusion of IAA, which contributed 86% of the increase and mainly relates to employee compensation expenses, technology costs and professional fees. Excluding IAA, the remaining increase was primarily driven by higher employee compensation costs due to higher severance and settlement costs relating to the departure of certain former executives and an increase in headcount to support our sales and operations and certain strategic growth initiatives. Share-based payments expense also increased due to the increase in the fair value of share awards and the timing of grants. We also saw higher building, facilities and technology costs as we continue to shift to modernized payment solutions and cloud-based solutions to improve customer and employee experiences. These increases were partially offset by lower incentive-based compensation expense.

For the first nine months of 2023, selling, general and administrative expenses increased 35% to \$546.2 million, primarily due to the inclusion of IAA, which contributed 79% of the increase. Excluding IAA, the increase was mainly due to higher employee compensation expenses and building, facilities and technology costs, as discussed above. We also saw higher travel, advertising and promotion costs from increased activity in global travel, particularly within the sales group, higher marketing costs to promote new sales initiatives, higher costs for meetings and conferences with customers, as well as higher share-based payments expense as discussed above. These increases were partially offset by lower incentive-based compensation expense.

Acquisition-related and Integration Costs

For the three and nine months ended September 30, 2023, acquisition-related and integration costs increased 1,055% to \$23.1 million and 1,195% to \$195.6 million, respectively, primarily given the significant investment banking, consulting, legal and financing costs incurred to effect the acquisition of IAA. We also incurred severance costs to employees of the combined business as a result of restructuring and integrating the various business functions since the acquisition, including severance costs to certain key executives of IAA. In addition, we incurred integration costs, primarily with third-party advisors and consultants, to support our integration activities and achieve our cost synergies. During Q2 2023, for the benefit of the combined business, we also recorded a net \$16.3 million expense as settlement for the termination of a non-compete agreement bound by IAA prior to the acquisition.

Operating Income

For the third quarter of 2023, operating income increased 130% to \$145.8 million, primarily driven by the inclusion of operating income from IAA. We also saw higher flow through from higher service revenue, partially offset by higher cost of services and selling, general and administrative expenses, as discussed above. In connection with the acquisition of IAA, we also saw higher

depreciation and amortization driven by amortization of the acquired intangible assets and higher acquisition-related and integration costs, as discussed above.

For the first nine months of 2023, operating income decreased 23% primarily driven by the \$169.1 million gain on the Bolton property in the first quarter of 2022 that did not recur in the current period. Operating income increased 43% when excluding the impact of the gain, primarily due to flow through from higher revenue offset by higher acquisition-related and integration costs, higher depreciation and amortization and higher selling, general and administrative expenses, as discussed above.

Income Tax Expense and Effective Tax Rate

At the end of each interim period, we estimate the effective tax rate expected to be applicable for the full fiscal year. The estimate reflects, among other items, management's best estimate of operating results. It does not include the estimated impact of foreign exchange rates or unusual and/or infrequent items, which may cause significant variations in the customary relationship between income tax expense and income before income taxes.

For the third quarter of 2023, income tax expense increased by 57% to \$23.1 million and our effective tax rate increased 130 bps to 26.8% as compared to the third quarter of 2022. For the first nine months of 2023, income tax expense decreased 36% to \$46.5 million, and our effective tax rate increased 670 bps to 27.6% as compared to the nine months of 2022.

The increase in the effective tax rate for the third quarter of 2023 was primarily due to higher tax expense related to tax uncertainties. Partially offsetting this increase was a higher estimated benefit related to Foreign-Derived Intangible Income ("FDII").

The increase in the effective tax rate for the first nine months of 2023 compared to the first nine months of 2022 was primarily due an increase in the estimate of non-deductible expenses and the non-recurrence of the non-taxable gain portion on the sale of a parcel of land including all buildings in Bolton, Ontario. Partially offsetting these increases were a higher estimated benefit related to FDII, and a higher tax deduction for performance share unit and restrictive share unit expenses that exceeded the related compensation expenses.

Net Income

In the third quarter of 2023, net income attributable to controlling interests increased 47% to \$63.4 million primarily driven by an increase in operating income, partially offset by higher interest expense from higher debt to fund the acquisition of IAA and a rise in interest rates, as well as the increase in the income tax expense driven by the higher effective tax rate as discussed above.

For the first nine months of 2023, net income attributable to controlling interests decreased 56% to \$122.2 million, mainly due to higher interest expense as discussed above, and a decrease in operating income. This decrease in net income was partially offset by an income tax benefit due to a higher effective tax rate, as discussed above.

Diluted EPS

Diluted EPS available to common stockholders decreased 21% to \$0.30 per share and decreased 75% to \$0.61 per share for the three and nine months ended September 30, 2023, respectively. The decreases in both periods were primarily due to the increase in the number of shares issued for the acquisition of IAA, partially offset by the increases in net income as described above.

In February 2023, we issued \$485.0 million of Series A Senior Preferred Shares and \$15.0 million of common shares to Starboard. As the preferred equity is considered a participating security, we calculate diluted EPS using the two-class method, which includes the effects of the assumed conversion of the Series A Senior Preferred Shares to common shares, as well as the effect of any shares issuable under the Company's stock-based incentive plans, if such effect is dilutive. Under this method, earnings are allocated to holders of common stock and preferred stock based on dividends declared and their respective participation rights in undistributed earnings. As a result, our net income available to common stockholders is lower by the cumulative dividends and allocated earnings to Series A Senior Preferred shareholders.

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 operating income increased 193% to \$248.9 million in the third quarter of 2023.

Adjusted net income available to common stockholders increased 122% to \$132.7 million in the third quarter of 2023.

Diluted adjusted EPS available to common stockholders increased 36% to \$0.72 per share in the third quarter of 2023.

Adjusted EBITDA increased 179% to \$285.8 million in the third quarter of 2023.

Refer to the non-GAAP measures section below on pages 49-55 for further information.

U.S. Dollar Exchange Rate Comparison

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

Value of one local currency to U.S. dollar	2023	2022	% Change 2023 over 2022
Period-end exchange rate - September 30,			
Canadian dollar	0.7365	0.7227	2 %
Euro	1.0581	0.9801	8 %
British pound sterling	1.2198	1.1162	9 %
Australian dollar	0.6429	0.6398	— %
Average exchange rate - Three months ended September 30,			
Canadian dollar	0.7455	0.7666	(3)%
Euro	1.0886	1.0081	8 %
British pound sterling	1.2662	1.1774	8 %
Australian dollar	0.6546	0.6837	(4)%
Average exchange rate - Nine months ended September 30,			
Canadian dollar	0.7432	0.7798	(5)%
Euro	1.0839	1.0655	2 %
British pound sterling	1.2441	1.2591	(1)%
Australian dollar	0.6690	0.7075	(5)%

In the third quarter of 2023, foreign exchange had an unfavorable impact on total revenue and a favorable impact on expenses when compared to the prior year quarter. These impacts were primarily due to the fluctuations in the Canadian dollar, and Australian 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.

Total service revenue take rate: Total service revenue divided by total GTV.

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

Inventory rate: Inventory return divided by inventory sales revenue.

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."

Historically, we reported total lots sold excluding lots sold in our GovPlanet business. Commencing in the first quarter of 2023, as a result of a change in management organizational structure and the acquisition of IAA, management reviews all auction metrics of the combined businesses as a whole, which includes GovPlanet. In addition, the total bids per lot sold metric was historically used by management as a key metric. This metric has been discontinued since the first quarter of 2023 as it is no longer considered meaningful when reviewing the auction metrics of the combined business and of our one reportable segment.

We believe it is meaningful to consider revenue in relation to GTV. Total GTV and revenue by geography are presented below, along with comparative periods.

GTV by Geography

(in U.S. dollars in millions, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	2023	2022	% Change
			2023 over 2022			2023 over 2022
Total GTV by Geography						
United States	\$ 3,047.6	\$ 855.4	256 %	\$ 7,360.0	\$ 2,579.0	185 %
Canada	540.9	314.9	72 %	1,723.0	1,251.0	38 %
International	286.9	187.9	53 %	835.6	651.6	28 %
Total GTV	\$ 3,875.4	\$ 1,358.2	185 %	\$ 9,918.6	\$ 4,481.6	121 %

Service GTV by Geography

United States	\$ 2,910.4	\$ 753.2	286 %	\$ 6,970.7	\$ 2,320.6	200 %
Canada	516.2	303.5	70 %	1,645.1	1,191.1	38 %
International	202.8	136.8	48 %	587.5	458.0	28 %
Total Service GTV ¹	\$ 3,629.4	\$ 1,193.5	204 %	\$ 9,203.3	\$ 3,969.7	132 %

¹ Service GTV is calculated as total GTV less inventory sales revenue

Revenue by Geography

(in U.S. dollars in millions, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	2023	2022	% Change
			2023 over 2022			2023 over 2022
United States						
Service revenue	\$ 630.1	\$ 155.8	304 %	\$ 1,494.0	\$ 463.1	223 %
Inventory sales revenue	137.1	102.3	34 %	387.5	258.3	50 %
Total revenue - United States	767.2	258.1	197 %	1,881.5	721.4	161 %
Canada						
Service revenue	102.0	63.5	61 %	305.6	223.7	37 %
Inventory sales revenue	24.8	11.4	118 %	77.8	59.9	30 %
Total revenue - Canada	126.8	74.9	69 %	383.4	283.6	35 %
International						
Service revenue	41.7	27.4	52 %	123.8	91.2	36 %
Inventory sales revenue	84.1	51.1	65 %	250.0	193.7	29 %
Total revenue - International	125.8	78.5	60 %	373.8	284.9	31 %
Total						
Service revenue	773.8	246.7	214 %	1,923.4	778.0	147 %
Inventory sales revenue	246.0	164.8	49 %	715.3	511.9	40 %
Total revenue	\$ 1,019.8	\$ 411.5	148 %	\$ 2,638.7	\$ 1,289.9	105 %

United States

In the third quarter of 2023, service revenue increased 304% primarily due to a 286% increase in Service GTV, driven mainly from the inclusion of IAA, as well as higher volumes primarily from strong execution by our strategic accounts and regional sales teams. The majority of the contribution from IAA was primarily driven by higher buyer fees, as well as fixed fee commissions earned from the sale of vehicles. Excluding IAA, we saw an increase in buyer fees driven by total GTV growth, and an increase in minimum buyer fee rates implemented in early 2023, as well as higher buyer fees earned from a higher proportion of low value lots. Marketplace service revenue also increased driven by higher document fees from fee rate increases implemented in early 2023 and the harmonization of document fees in our online marketplaces implemented in Q4 2022. In addition, we saw higher online listing fees from higher activity and higher revenue from the inclusion of VeriTread from its acquisition in the beginning of 2023. These increases were partially offset by softer guarantee and straight commission rate performances partly due to a higher proportion of GTV sourced from our strategic accounts team.

For the first nine months of 2023, service revenue increased 223% while Service GTV increased 200%, primarily for the same reasons as discussed above. In addition, we saw higher fees from our ancillary services in line with higher GTV volume, and growth in our Rouse and SmartEquip businesses.

In the third quarter of 2023, inventory sales revenue increased 34% primarily due to the inclusion of IAA, which contributed 87% of the increase. Excluding IAA, we saw a higher volume of inventory contracts in the construction sector partially offset by softer performances due to declining pricing.

For the first nine months of 2023, inventory sales revenue increased 50% partly due to the inclusion of IAA, which contributed 48% of the increase. Excluding IAA, we saw a higher volume of inventory contracts, partly sourced from our strategic accounts team, and from the addition of several new auction events. Despite volume growth, we also saw softer rate performances on various inventory contracts and the non-repeat of a large inventory package dispersal of construction equipment.

Canada

In the third quarter of 2023, service revenue increased 61%, while Service GTV increased 70%. Service revenue increased mainly from the inclusion of IAA, which contributed 85% of the increase with lower commission rates on Service GTV. Excluding IAA, we saw softer straight and guarantee commission rate performances primarily due to higher GTV sourced from our strategic accounts, and lower marketplace service revenue from our RBFS business due to tightening of lending requirements. These decreases were partially offset by higher buyer fees from minimum buyer fee rate increases, higher document fees from rate increases and the harmonization of document fees in our online marketplaces, as well as higher ancillary service fees.

For the first nine months of 2023, service revenue increased 37% in line with the increase in Service GTV of 38%.

In the third quarter of 2023, inventory sales revenue increased 118%, primarily due to the inclusion of IAA.

For the first nine months of 2023, inventory sales revenue increased 30% primarily due to the inclusion of IAA and partially offset by softer year-over-year performances on several large inventory packages due to a decline in pricing.

International

For the three and nine months ended September 30, 2023, service revenue increased 52%, primarily in line with the 48% increase in Service GTV, and increased 36% primarily due to the 28% increase in Service GTV, respectively. This increase was mainly driven by the inclusion of IAA. Excluding IAA, we also saw higher fees from the increased activity in our ancillary services and from minimum buyer fee rates increases.

In the third quarter of 2023, inventory sales revenue increased 65%, mainly driven by the inclusion of IAA, which contributed 114% of the increase, partially offset by a lower volume of inventory contracts mainly in Australia driven partly by softer-year-over-year performances, as well as from a shift in revenue mix.

For the first nine months of 2023, inventory sales revenue increased 29% primarily for the same reasons as discussed above. In addition, in Australia, we also saw lower inventory sales revenue due to the non-repeat of a prior year auction event.

GTV by Sector

The following table illustrates the breakdown of total GTV by sector for the three and nine months ended September 30, 2023 compared to the same periods in 2022.

The automotive sector includes all consumer automotive vehicles. The commercial construction and transportation sector includes heavy equipment such as excavators, dozers, lift and material handling, vocational and commercial trucks and trailers. The other sector primarily includes assets and equipment sold in the agricultural, forestry and energy industries, and government surplus assets, as well as smaller consumer recreational transportation items. All sectors include salvage and non-salvage transactions.

(in U.S. dollars in millions, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	2023	2022	% Change
			2023 over 2022			2023 over 2022
Automotive	\$ 2,058.6	\$ 46.8	4,299 %	\$ 4,498.1	\$ 138.0	3,159 %
Commercial construction and transportation	1,353.6	1,000.9	35 %	4,025.9	3,183.2	26 %
Other	463.2	310.5	49 %	1,394.6	1,160.4	20 %
	<u>\$ 3,875.4</u>	<u>\$ 1,358.2</u>	<u>185 %</u>	<u>\$ 9,918.6</u>	<u>\$ 4,481.6</u>	<u>121 %</u>

In the third quarter of 2023, total GTV compared to the third quarter of 2022 increased by 4,299% in the automotive sector, due to the inclusion of IAA. GTV increased by 35% in the commercial construction and transportation sector mainly in the United States, primarily driven by volumes sourced from our strategic accounts and regional sales teams, partially offset by lower selling prices and an unfavorable asset mix. GTV increased 49% in the other sector mainly driven by an increase in sales volume in smaller consumer items.

For the first nine months of 2023, total GTV compared to the first nine months of 2022 increased by 3,159% in the automotive sector, 26% in the commercial construction and transportation sector, and 20% in the other sectors primarily for the same reasons as discussed above.

Total Lots Sold by Sector

The following table illustrates the breakdown of total lots sold by sector for the three and nine months ended September 30, 2023, compared to the same periods in 2022.

(in '000's of lots sold, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	2023	2022	% Change
			2023 over 2022			2023 over 2022
Automotive	555.4	5.3	10,379 %	1,217.0	15.2	7,907 %
Commercial construction and transportation	86.6	45.4	91 %	227.6	132.5	72 %
Other	125.3	99.7	26 %	373.5	298.7	25 %
	<u>767.3</u>	<u>150.4</u>	<u>410 %</u>	<u>1,818.1</u>	<u>446.4</u>	<u>307 %</u>

In the third quarter of 2023, the total lots sold compared to the third quarter of 2022 increased by 10,379% in the automotive sector due to the inclusion of lots sold from IAA. Total lots sold increased by 91% and 26% in the commercial construction and transportation sector and other sector, respectively, in part driven by the inclusion of IAA and from a higher proportion of low value lots sold primarily in the United States.

For the first nine months of 2023, the total lots sold compared to the first nine months of 2022 increased by 7,907% in the automotive sector, 72% in the commercial construction and transportation sector and 25% in the other sector primarily for the same reasons as discussed above.

Debt

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”), and the Term Loan A facility (the “TLA Facility” and together with the Revolving Facilities and DDTL Facility, the “Facilities”).

In connection with the IAA acquisition, the Company entered into a debt commitment letter with certain financial institutions that committed to provide, subject to the terms and conditions, a bridge loan facility in an aggregate principal amount of up to \$2.8 billion and a backstop revolving facility in an aggregate principal amount of up to \$750.0 million. The Company subsequently amended the terms of its Credit Agreement which, among other things, permitted the acquisition of IAA and served to terminate the backstop commitments (including the revolving backstop facility and \$88.9 million of bridge commitments that served as a backstop for its existing term loans under the credit agreement) and replaced an additional \$1.8 billion of bridge commitments with the TLA Facility.

The Credit Agreement was amended in December 2022, which, among other things, (i) permitted the proposed merger with IAA, (ii) provided commitments for the TLA Facility in an aggregate principal amount of up to \$1.8 billion to be used to finance, in part, the IAA acquisition, and (iii) provided the Company the ability to borrow up to \$200.0 million of the Revolving Facilities under the Credit Agreement on a limited conditionality basis to finance, in part, the IAA acquisition.

On March 20, 2023, with the acquisition of IAA, the TLA Facility of \$1.8 billion was funded. The TLA Facility is comprised of a facility denominated in US dollars (“USD TLA Facility”) and a facility denominated in Canadian dollars (“CAD TLA Facility”). The Company’s existing DDTL Facility of CAD \$115.9 million was refinanced and converted to the CAD TLA Facility, an alternative currency term rate loan. On June 30, 2023, we repaid \$100.0 million of principal as permitted by the Credit Agreement, \$22.8 million of which was mandatory and \$77.2 million of which was voluntary.

Credit facilities at September 30, 2023 and December 31, 2022 were as follows:

(in U.S. dollars in millions, except percentages)	September 30, 2023	December 31, 2022	% Change
<i>Committed</i>			
DDTL Facility	\$ —	\$ 85.5	(100)%
Term Loan A Facility (denominated in Canadian dollars)	82.1	—	100 %
Term Loan A Facility (denominated in US dollars)	1,725.0	—	100 %
Revolving credit facilities	750.0	750.0	— %
<i>Uncommitted</i>			
Revolving credit facilities	10.0	10.0	— %
Total credit facilities	\$ 2,567.1	\$ 845.5	204 %
<i>Unused</i>			
Revolving credit facilities	740.1	709.8	4 %
Total credit facilities unused	\$ 740.1	\$ 709.8	4 %

Revolving Credit Facilities

At September 30, 2023, of the \$760.0 million in revolving credit facilities, \$750.0 million relates to our syndicated credit facility and \$10.0 million relates to credit facilities in certain foreign jurisdictions.

On September 30, 2023, we had \$740.1 million of unused revolving credit facilities, which consisted of:

- \$730.1 million under our Credit Agreement that expires on September 21, 2026;
- \$5.0 million under a foreign credit facility that expires on October 27, 2023; and
- \$5.0 million under a foreign demand credit facility that has no maturity date.

Term Loan Facility

The amendment to the Credit Agreement made in September 2021 (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 \$1.045 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. Under the terms of the September 2021 amendment, mandatory principal repayments began in the third quarter of 2022 and were subject to an annual amortization rate of 5%, payable in quarterly installments, with the balance payable at maturity. The remaining \$205.0 million commitment under the DDTL Facility was not drawn and accordingly expired on June 28, 2022. We did not make any voluntary prepayments to our drawn DDTL in 2022.

On March 20, 2023, under the terms of the December 2022 amendment to the Credit Agreement, with the close of the acquisition of IAA, certain amended terms became effective. Specifically, the Credit Agreement amendment (i) increased the total size of the Facilities provided under the Credit Agreement to up to \$2.7 billion, including \$1.9 billion of commitments under the TLA Facility, (ii) increased the appropriate margin for base rate loans, and SOFR loans at each pricing tier level, and (iii) increased the applicable percentage per annum used to calculate the various fees such as the commitment fees and letter of credit fees under the Facilities at each pricing tier level. In addition, on March 20, 2023, the Company converted its existing CAD DDTL Facility into the CAD TLA Facility, which continues to be subject to an annual amortization rate of 5% payable in quarterly installments, with the balance also payable at maturity. Under the amended terms, mandatory principal repayments on the USD TLA Facility began in the second quarter of 2023 and are subject to quarterly installments of 1.25% of the \$1.8 billion principal amount outstanding with the balance payable at maturity.

Senior Secured and Unsecured Notes

At December 31, 2022, we had senior unsecured notes (the “2016 Notes”) outstanding that were to expire on January 15, 2025 for an aggregate principal amount of \$500.0 million, bearing an interest rate of 5.375% per annum. The proceeds of the offering of the 2016 Notes were used to finance the IronPlanet acquisition. The 2016 Notes were redeemed on March 20, 2023 at 100.0% of the original offering price of the notes, plus accrued and unpaid interest. The Company expensed the unamortized debt issue costs of \$3.3 million in interest expense in the consolidated income statement during the first quarter of 2023.

On March 15, 2023, to finance the acquisition of IAA, we completed the offering of two series of senior notes: (i) \$550.0 million aggregate principal amount of 6.750% senior secured notes due March 15, 2028 and (ii) \$800.0 million aggregate principal amount of 7.750% senior unsecured notes due March 15, 2031 (together the “2023 Notes”).

On December 21, 2021, we 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 and (ii) \$425.0 million Canadian dollar aggregate principal amount of 4.950% due December 15, 2029 (together the “2021 Notes”). 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 as the proposed Euro Auctions Acquisition was not completed.

Debt Covenants

We were in compliance with all financial and other covenants applicable to our credit facilities at September 30, 2023.

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.

Liquidity and Capital Resources

On March 20, 2023, the Company closed the acquisition of IAA for total fair value consideration of \$6.6 billion. This included cash consideration of \$1.7 billion and repayment of approximately \$1.2 billion of IAA's debt, which was not legally assumed as part of the transaction. The acquisition was funded through a combination of cash from our balance sheet, proceeds of \$1.8 billion from the TLA Facility and proceeds from the completed offering of the 2023 Notes. As we repaid IAA's net debt at acquisition, which included all borrowings under its existing credit agreement and senior notes, IAA was acquired debt-free. During the first quarter of 2023, we also completed the acquisition of VeriTread and paid \$28.2 million cash consideration.

On February 1, 2023, we issued \$485.0 million Series A Senior Preferred Shares, a participating security, convertible into common shares at a price of \$73.00 per share and \$15.0 million of common shares to Starboard.

In addition, we redeemed our 2016 Notes of \$500.0 million principal at 100.0% of its original offering price, plus accrued and unpaid interest at the closing of the IAA acquisition.

Our short-term cash requirements include (i) payment of quarterly dividends to common shareholders on an as-declared basis, and payment of participating dividends and preferential dividends to preferred equity holders, (ii) settlement of contracts with consignors and other suppliers, (iii) personnel expenditures, with a majority of bonuses paid annually in the first quarter following each fiscal year, (iv) income tax payments, primarily paid in quarterly installments, (v) payments on short-term debt and long-term debt, (vi) payment of amounts committed under certain service agreements to build our modern IT architecture, (vii) payments on our operating and finance lease obligations, (viii) other capital expenditures and working capital needs, and (ix) advances. In the current rising interest rate environment, the Company intends to continue to evaluate and pursue the most financially beneficial arrangements to fund future capital expenditures, which may include lease agreements or cash purchases.

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 long-term cash requirements include scheduled principal repayments of long-term debt relating to the TLA Facility of \$1.8 billion and the 2023 Notes of \$1.4 billion, repayment of any drawn funds under our revolving credit facilities, as well as scheduled repayments of operating and finance lease obligations relating to the Company's commercial leases for various auctions sites, branches and offices, operating leases for computer equipment, software, motor vehicles and small office equipment, and finance lease arrangements for certain vehicles, computers, yard equipment, fixtures, and office furniture. For more information on our debt and leases, see "Item 1 – Financial Statements: Note 16 Debt" and "Item 1 – Financial Statements: Note 19 Leases," respectively, in our consolidated financial statements.

Cash provided by operating activities can fluctuate significantly from period to period. 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, our net capital spending¹, and repayments of debt. We are also committed under various letters of credit and provide certain guarantees in the normal course of business. We believe our principal sources of liquidity, which include cash flow from operations and our unused capacity under our revolving credit facilities of \$740.1 million, is sufficient to fund our current and planned operating activities.

Most of the financial institutions IAA utilizes place a temporary hold on the availability of funds deposited for up to two business days, resulting in the deposited cash being unavailable for use until the temporary hold is lifted. These are considered outstanding checks, or book overdrafts, to sellers and vendors. As a portion of these outstanding checks for operations are drawn upon bank accounts at financial institutions other than the financial institutions that hold the deposited cash, we are unable to offset all the cash and the outstanding checks on our consolidated balance sheet at any given time. Book overdrafts are recognized on our consolidated balance sheet within trade and other liabilities.

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 additional 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.

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

Cash Flows

(in U.S. dollars in millions, except percentages)	Nine months ended September 30,		
	2023	2022	% Change 2023 over
Cash provided by (used in):			
Operating activities	\$ 206.7	\$ 263.9	(22)%
Investing activities	(3,002.3)	108.3	(2,872)%
Financing activities	2,728.8	(1,194.0)	(329)%
Effect of changes in foreign currency rates	0.1	(25.6)	(100)%
Net decrease in cash, cash equivalents, and restricted cash	\$ (66.7)	\$ (847.4)	(92)%

Net cash provided by operating activities was \$206.7 million in the first nine months of 2023, as compared to net cash provided by operating activities of \$263.9 million in the first nine months of 2022. Net cash provided by operating activities decreased \$57.2 million mainly due to a net cash outflow from the change in operating assets and liabilities of \$290.2 million, partially offset by net cash generated by the inclusion of IAA income from operations. The net cash outflow from the change in operating assets and liabilities was primarily driven by higher tax payments relating to the timing of tax installments and taxes paid for the taxable gain portion on the sale of the Bolton property, and net higher outflows relating to prepaid consigned vehicle charges and operating lease payments this year from the inclusion of IAA since its acquisition. We also saw net cash outflows driven by the timing, size, and number of auctions and higher expenditures incurred on reimbursable leasehold improvements relating to IAA. Further net cash outflows related to a non-repeat of interest prepayments in the prior year for the 2021 Notes and timing of payments for inventory deposits and other prepaid expenses. The above increases in outflow were partially offset by the amount of book overdrafts from the inclusion of IAA, and the timing of payments for trade and other payables, as well as incentive-based employee compensation.

Net cash used in investing activities was \$3.0 billion in the first nine months of 2023 as compared to net cash provided by investing activities of \$108.3 million in the first nine months of 2022. Net cash used in investing activities increased \$3.1 billion primarily due to approximately \$2.8 billion of cash outflow for the acquisitions of IAA and VeriTread in the first quarter of 2023 and the non-repeat of \$165.1 million proceeds received for the sale of the Bolton property in the first quarter of 2022. Further cash outflows related to higher property, plant and equipment additions of \$112.5 million from IAA's purchases of various parcels of land for operations in the United States, including the purchase of a property in the United States for \$29.0 million in the second quarter of 2023, which was subsequently sold in the same period for a gain of \$2.0 million. Other IAA additions included expenditures on building and land improvements and equipment. Excluding IAA, there was an additional outflow of \$14.8 million relating primarily to the purchase of the Amaranth property in Canada and other investments in building and land improvements and equipment. In addition, we also saw an increase in intangible asset additions of \$55.0 million primarily due to the inclusion of IAA relating to software development and the development of our modern technology infrastructure and auction platform, as well as higher loans receivable issued in the first nine months of 2023.

Net cash provided by financing activities was \$2.7 billion in the first nine months of 2023, as compared to net cash used in financing activities of \$1.2 billion in the first nine months of 2022. Net cash provided by financing activities increased \$3.9 billion, mainly driven by financing raised through the TLA Facility for \$1.8 billion and issuances of the 2023 Notes for \$1.4 billion to fund the IAA acquisition in the first quarter of 2023. Further, we received \$496.9 million of net proceeds from the issuance of \$485.0 million of participating Series A Senior Preferred Shares and \$15.0 million of common stock in the first quarter of 2023, net of issuance costs, as well as \$11.1 million of net proceeds to finance certain equipment purchases. We also repaid \$603.3 million of long-term debt to redeem our 2016 Notes and repay \$100.0 million on our USD TLA Facility, as compared to \$1.1 billion repaid in 2022. These increases were partially offset by \$185.3 million of higher dividends in 2023 as compared to 2022, primarily due to the payment of a special dividend on March 28, 2023, the increase in the total number of shares outstanding as a result of shares issued in the acquisition of IAA and payment of quarterly dividends to Series A Senior preferred shareholders beginning in the first quarter of 2023. In addition, we also incurred \$41.6 million of debt issuance costs in the first quarter of 2023 in connection with the financing of the TLA Facility and the 2023 Notes, compared to \$3.6 million in the prior year.

Dividend Information

We declared a dividend of \$0.27 per common share for each of the quarters ended September 30, 2022, December 31, 2022, March 31, 2023 and June 30, 2023. On March 7, 2023, we declared a special cash dividend of \$1.08 per share, contingent on the closing of the acquisition of IAA, payable to stockholders of record at the close of business on March 17, 2023, excluding holders of Series A Preferred Shares (the “Special Dividend”). The Special Dividend was paid in cash on March 28, 2023 following the acquisition of IAA. We also recorded Preferential Dividends of \$6.7 million, of which \$1.1 million was accrued and unpaid at September 30, 2023, and Participating Dividends of \$1.8 million to the holders of the Series A Senior Preferred Shares on June 16, 2023. We have declared, but not yet paid, a dividend of \$0.27 per common share for the quarter ended September 30, 2023. All dividends that we pay are “eligible dividends” for Canadian income tax purposes unless indicated otherwise.

Debt over Net Income

Debt at the end of the third quarter of 2023 represented 18.7 times net income at and for the twelve months ended September 30, 2023, compared to debt at the third quarter of 2022, which represented 2.1 times net income at and for the twelve months ended September 30, 2022. The increase in this debt/net income multiplier was primarily due to higher debt related to the IAA acquisition and higher acquisition-related and integration costs of \$188.8 million in the twelve months ended September 30, 2023, partially offset by the inclusion of net income from IAA since March 20, 2023. The adjusted net debt/adjusted EBITDA was 3.2 times at and for the twelve months ended September 30, 2023, compared to 0.5 times at and for the twelve months ended September 30, 2022. The increase in this debt/net income multiplier was due to the same reasons as discussed above.

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 decreased 1,390 bps to 5.3% for the twelve-month period ended September 30, 2023 from 19.2% for the twelve-month period ended September 30, 2022. This decrease is primarily due to an increase in the denominator mainly from the issuance of 70.3 million shares of the Company’s common stock for the acquisition of IAA and the issuance of the Series A Senior Preferred Shares in the first quarter of 2023, a decrease in net income driven by acquisition-related and integration costs incurred for the IAA and VeriTread acquisitions, and the non-repeat gain from the sale of the Bolton property in the first quarter of 2022. Adjusted return on average invested capital decreased 500 bps to 10.8% during the twelve months ended September 30, 2023 compared to 15.8% in the same period in 2022, primarily due to the changes in the denominator as discussed above, partially offset by a higher adjusted return as a result of higher adjusted net income available to common stockholders.

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. At September 30, 2023, there were no material changes in our critical accounting policies, and there were no material changes in judgments, estimates and assumptions from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022, 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, other than revised estimates made during the period with respect to the fair values of certain assets and liabilities acquired in the acquisition of IAA.

Refer to "Item 1 – Financial Statements: Note 3 Significant Judgements, Estimates and Assumptions" in this Quarterly Report on Form 10-Q for additional information.

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.

Beginning in the third quarter of 2023, we updated the calculation of our non-GAAP measures to no longer adjust for the effect of the incremental net depreciation on the step-up in fair value of property, plant and equipment and the incremental net rent expense on the step-up in the fair value of operating lease right-of-use assets in connection with the application of acquisition accounting in the IAA acquisition. This change has been applied retrospectively to the second quarter of 2023 and accordingly to the nine-month period ended September 30, 2023. The Company continues to adjust for the amortization of acquired intangible assets, consistent with past practice, and the impact of purchase accounting on prepaid consigned vehicle charges which is expected to continue until the end of 2023.

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 that 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 items that we do not consider to be part of our normal operating results, such as share-based payments expense, acquisition-related and integration costs, amortization of acquired intangible assets, prepaid consigned vehicles charges, executive transition costs, and certain other items, which we refer to as “adjusting items.”

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

(in U.S. dollars in millions, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	2023	2022	% Change
			2023 over 2022			2023 over 2022
Operating income	\$ 145.8	\$ 63.5	130 %	\$ 300.5	\$ 387.8	(23)%
Share-based payments expense	12.7	8.8	44 %	31.7	27.8	14 %
Acquisition-related and integration costs	23.1	2.0	1,055 %	195.6	15.1	1,195 %
Amortization of acquired intangible assets	63.9	8.2	679 %	156.5	25.2	521 %
(Gain) loss on disposition of property, plant and equipment and related costs	0.6	0.9	(33)%	(0.9)	(167.7)	(99)%
Change in fair value of derivatives	—	—	— %	—	(1.3)	(100)%
Prepaid consigned vehicles charges	(7.6)	—	(100)%	(59.7)	—	(100)%
Other advisory, legal and restructuring	0.6	1.5	(60)%	1.3	4.9	(73)%
Executive transition costs	\$ 9.8	\$ —	100 %	\$ 9.8	\$ —	100 %
Adjusted operating income	\$ 248.9	\$ 84.9	193 %	\$ 634.8	\$ 291.8	118 %

(1) Please refer to pages 56-58 for a summary of adjusting items during the three and nine months ended September 30, 2023 and September 30, 2022.

(2) Adjusted operating income represents operating income excluding the effects of adjusting items.

***Adjusted Net Income Available to Common Stockholders and Diluted Adjusted EPS Available to Common Stockholders
Reconciliation***

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

On February 1, 2023, we sold \$485.0 million of participating Series A Senior Preferred Shares, convertible into common shares of the Company at an initial conversion price of \$73.00 per share, and \$15.0 million of common shares of the Company. The preferred equity is considered a participating security, and as a result, beginning in the first quarter of 2023, the Company calculated diluted EPS using the two-class method, which includes the effects of the assumed conversion of the Series A Senior Preferred Shares to common shares, as well as the effect of any shares issuable under the Company’s stock-based incentive plans, if such effect is dilutive. Under this method, earnings are allocated to holders of common stock and preferred stock based on dividends declared and their respective participation rights in undistributed earnings. As a result, during the three and nine months ended September 30, 2023, our net income available to common stockholders was lower by the cumulative dividends and allocated earnings to Series A Senior Preferred shareholders.

The following table reconciles adjusted net income available to common stockholders and diluted adjusted EPS available to common stockholders to net income available to common stockholders and diluted EPS available to common stockholders, which are the most directly comparable GAAP measures in our consolidated financial statements:

(in U.S. dollars in millions, except share, per share data, and percentages)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	2023	2022	% Change
			2023 over 2022			2023 over 2022
Net income available to common stockholders	\$ 54.7	\$ 42.9	28 %	\$ 99.1	\$ 274.4	(64)%
Share-based payments expense	12.7	8.8	44 %	31.7	27.8	14 %
Acquisition-related and integration costs	23.1	2.0	1,055 %	195.6	15.1	1,195 %
Amortization of acquired intangible assets	63.9	8.2	679 %	156.5	25.2	521 %
(Gain) loss on disposition of property, plant and equipment and related costs	0.6	0.9	(33)%	(0.9)	(167.7)	(99)%
Prepaid consigned vehicles charges	(7.6)	—	(100)%	(59.7)	—	(100)%
Loss on redemption of the 2016 and 2021 Notes and certain related interest expense	—	—	— %	3.3	9.7	(66)%
Change in fair value of derivatives	—	—	— %	—	(1.3)	(100)%
Other advisory, legal and restructuring costs	0.6	1.5	(60)%	1.3	4.9	(73)%
Executive transition costs	9.8	—	100 %	9.8	—	100 %
Related tax effects of the above	(22.2)	(4.5)	393 %	(74.7)	5.9	(1366)%
Remeasurements in connection with business combinations	\$ —	\$ —	— %	\$ (2.9)	\$ —	(100)%
Related allocation of the above to participating securities	(2.9)	—	(100)%	(7.6)	—	(100)%
Adjusted net income available to common stockholders	\$ 132.7	\$ 59.8	122 %	\$ 351.5	\$ 194.0	81 %
Weighted average number of dilutive shares outstanding	183,601,601	112,209,535	64 %	162,916,593	111,858,095	46 %
Diluted earnings per share available to common stockholders	\$ 0.30	\$ 0.38	(21)%	\$ 0.61	\$ 2.45	(75)%
Diluted adjusted earnings per share available to common stockholders	\$ 0.72	\$ 0.53	36 %	\$ 2.16	\$ 1.73	25 %

- (1) Please refer to pages 56-58 for a summary of adjusting items during the three and nine months ended September 30, 2023 and September 30, 2022.
- (2) Net income available to common stockholders is computed as: net income attributable to controlling interests less cumulative dividends on Series A Senior Preferred Shares and allocated earnings to participating securities.
- (3) Adjusted net income available to common stockholders represents net income available to common stockholders, excluding the effects of adjusting items.
- (4) Diluted adjusted EPS available to common stockholders is calculated by dividing adjusted net income available to common stockholders by the weighted average number of dilutive shares outstanding, except that it is computed based upon the lower of the two-class method or the if-converted method, which includes the effects of the assumed conversion of the Series A Senior Preferred Shares and the effect of shares issuable under the Company's stock-based incentive plans, if such effect is dilutive.

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.

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 in millions, except percentages)	Three months ended September 30,			Nine months ended September 30,		
			% Change			% Change
	2023	2022	2023 over 2022	2023	2022	2023 over 2022
Net income	\$ 63.2	\$ 42.9	47 %	\$ 121.8	\$ 274.4	(56)%
Add: depreciation and amortization	101.1	24.3	316 %	246.9	72.8	239 %
Add: interest expense	63.7	9.2	592 %	149.6	48.3	210 %
Less: interest income	(4.5)	(1.8)	150 %	(15.8)	(3.2)	394 %
Add: income tax expense	23.1	14.7	57 %	46.5	72.6	(36)%
EBITDA	246.6	89.3	176 %	549.0	464.9	18 %
Share-based payments expense	12.7	8.8	44 %	31.7	27.8	14 %
Acquisition-related and integration costs	23.1	2.0	1,055 %	195.6	15.1	1,195 %
(Gain) loss on disposition of property, plant and equipment and related costs	0.6	0.9	(33)%	(0.9)	(167.7)	(99)%
Remeasurements in connection with business combinations	—	—	— %	(1.4)	—	(100)%
Prepaid consigned vehicles charges	(7.6)	—	(100)%	(59.7)	—	(100)%
Change in fair value of derivatives	—	—	— %	—	(1.3)	(100)%
Other advisory, legal and restructuring costs	0.6	1.5	(60)%	1.3	4.9	(73)%
Executive transition costs	9.8	—	100 %	9.8	—	100 %
Adjusted EBITDA	\$ 285.8	\$ 102.5	179 %	\$ 725.4	\$ 343.7	111 %

- (1) Please refer to pages 56-58 for a summary of adjusting items during the three and nine months ended September 30, 2023 and September 30, 2022.
- (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 the adjusting items as described on pages 56-58.

Adjusted Net Debt and Adjusted Net Debt/Adjusted EBITDA Reconciliation

We believe that comparing adjusted net debt/adjusted EBITDA on a trailing twelve-month basis for different financial periods provides useful information about the performance of our operations as an indicator of the amount of time it would take us to settle both our short and long-term debt. We do not consider this to be a measure of our liquidity, which is our ability to settle only short-term obligations, but rather a measure of how well we fund liquidity. Measures of liquidity are noted under “Liquidity and Capital Resources”.

The following table reconciles adjusted net debt to debt, adjusted EBITDA to net income, and adjusted net debt/ adjusted EBITDA to debt/ net income, respectively, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements.

(in U.S. dollars in millions, except percentages)	At and for the twelve months ended September 30,		
	2023	2022	% Change 2023 over 2022
Short-term debt	\$ 4.7	\$ 1.6	194 %
Long-term debt	3,122.2	637.3	390 %
Debt	3,126.9	638.9	389 %
Less: cash and cash equivalents	(428.3)	(438.8)	(2)%
Adjusted net debt	2,698.6	200.1	1249 %
Net income	\$ 167.1	\$ 305.0	(45)%
Add: depreciation and amortization	271.3	95.8	183 %
Add: interest expense	159.1	58.7	171 %
Less: interest income	(19.5)	(3.6)	442 %
Add: income tax expense	60.1	83.4	(28)%
EBITDA	638.2	539.3	18 %
Share-based payments expense	40.8	34.0	20 %
Acquisition-related and integration costs	217.8	29.0	651 %
Loss (gain) on disposition of property, plant and equipment and related costs	—	(167.9)	(100)%
Remeasurements in connection with business combinations	(1.4)	—	(100)%
Prepaid consigned vehicles charges	(59.7)	—	(100)%
Other advisory, legal and restructuring costs	1.5	7.5	(80)%
Executive transition costs	9.8	—	100 %
Adjusted EBITDA	\$ 847.0	\$ 441.9	92 %
Debt/net income	18.7 x	2.1 x	790 %
Adjusted net debt/adjusted EBITDA	3.2 x	0.5 x	540 %

- (1) Please refer to pages 56-58 for a summary of adjusting items during the trailing twelve months ended September 30, 2023 and September 30, 2022.
- (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 the adjusting items as described in pages 56-58 .
- (3) Adjusted net debt is calculated by subtracting cash and cash equivalents from short and long-term debt and long-term debt in escrow.
- (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-month basis to different financial periods, provides an effective measure of the cash generated by our business and provides useful information regarding cash flows remaining for discretionary return to stockholders, mergers and acquisitions, or debt reduction. Our balance sheet scorecard includes OFCF as a performance metric. OFCF is also an element of the performance criteria for certain annual short-term and long-term incentive awards.

The following table reconciles OFCF to cash provided by operating activities, which is the most directly comparable GAAP measure in, or calculated from, our consolidated statements of cash flows:

(in U.S. dollars in millions, except percentages)	Twelve months ended September 30,		
	2023	2022	% Change 2023 over 2022
Cash provided by operating activities	\$ 405.8	\$ 277.4	46 %
Property, plant and equipment additions	(159.3)	(29.1)	447 %
Intangible asset additions	(95.0)	(36.3)	162 %
Proceeds on disposition of property plant and equipment	32.0	165.4	(81)%
Net capital (spending) proceeds	\$ (222.3)	\$ 100.0	(322)%
OFCF	\$ 183.5	\$ 377.4	(51)%

(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-month 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 available to common 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 available to common 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 and updated the calculation in the first quarter of 2023 to also include preferred equity.

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 available to common 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 in millions, except percentages)	At and for the twelve months ended September 30,		
	2023	2022	% Change 2023 over 2022
Net income (loss) attributable to controlling interests	\$ 167.5	\$ 305.0	(45)%
Add:			
Interest expense	159.1	58.7	171 %
Interest income	(19.5)	(3.6)	442 %
Interest, net	139.6	55.1	153 %
Tax on interest, net	(34.0)	(14.6)	133 %
Reported return	\$ 273.2	\$ 345.5	(21)%
Add:			
Share-based payments expense	40.8	34.0	20 %
Acquisition-related and integration costs	217.8	29.0	651 %
Amortization of acquired intangible assets	164.7	33.1	398 %
Loss (gain) on disposition of property, plant and equipment and related costs	—	(167.9)	(100)%
Remeasurements in connection with business combinations	(2.9)	—	(100)%
Prepaid consigned vehicles charges	(59.7)	—	(100)%
Other advisory, legal and restructuring costs	1.5	7.5	(80)%
Executive transition costs	9.8	—	100 %
Related tax effects of the above	(83.6)	1.9	(4,500)%
Adjusted return	\$ 561.6	\$ 283.1	98 %
Short-term debt - opening balance	\$ 1.6	\$ 18.5	(91)%
Short-term debt - ending balance	4.7	1.6	194 %
Average short-term debt	3.2	10.1	(68)%
Long-term debt - opening balance	637.3	633.7	1 %
Long-term debt - ending balance	3,122.2	637.3	390 %
Average long-term debt	1,879.8	635.5	196 %
Preferred equity - opening balance	—	—	— %
Preferred equity - ending balance	482.0	—	100 %
Average preferred equity	241.0	—	100 %
Stockholders' equity - opening balance	1,238.8	1,061.9	17 %
Stockholders' equity - ending balance	4,911.8	1,238.8	296 %
Average stockholders' equity	3,075.3	1,150.4	167 %
Average invested capital	\$ 5,199.3	\$ 1,796.0	189 %
ROIC	5.3 %	19.2 %	(1,390)bps
Adjusted ROIC	10.8 %	15.8 %	(500)bps

- (1) Please refer to pages 56-58 for a summary of adjusting items during the trailing twelve months ended September 30, 2023 and September 30, 2022.
- (2) ROIC is calculated as reported return 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-month 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 during the trailing twelve months ended September 30, 2023 were:

Recognized in the third quarter of 2023

- \$12.7 million share-based payments expense.
- \$23.1 million of acquisition-related and integration costs primarily relating to the acquisition of IAA, which was completed on March 20, 2023.
- \$63.9 million amortization of acquired intangible assets, which includes \$56.1 million of amortization relating to the acquired intangible assets from IAA since its acquisition, \$0.7 million from the acquisition of VeriTread, as well as amortization of acquired intangible assets from past acquisitions of SmartEquip and Rouse, completed in 2022 and 2021, respectively.
- \$0.5 million loss on disposition of property, plant and equipment and related costs, which primarily includes a \$1.0 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 \$169.1 million gain on the Bolton property in the first quarter of 2022, offset by a \$0.5 million gain on the disposition of property, plant and equipment.
- \$7.6 million relating to a fair value adjustment made to the prepaid consigned vehicle charges on the opening balance sheet of IAA, which do not have a future benefit at acquisition, and therefore has created a favorable reduction to our cost of services in the quarter.
- \$0.6 million of other advisory, legal, and structuring costs, which includes \$0.5 million of terminated and ongoing transaction costs and \$0.1 million of legal and other consulting costs associated with the Canada Revenue Agency's ("CRA") investigation.
- \$9.8 million of estimated executive transition costs associated with the departures of certain executives on August 1, 2023, which includes severance, estimated settlement amounts, less recapture of previously expensed share-based compensation of the former CEO upon resignation.

Recognized in the second quarter of 2023

- \$12.3 million share-based payments expense.
- \$46.3 million of acquisition-related and integration costs primarily relating to the acquisition of IAA, which was completed on March 20, 2023. Acquisition-related and integration costs includes a net \$16.3 million settlement expense made to terminate a non-compete agreement to which IAA was bound, consulting and other costs incurred in integration of IAA, severance and related accelerated share-based payment expenses for employees as certain functions are integrated, and other legal and acquisition-related costs.
- \$76.0 million amortization of acquired intangible assets, which includes \$67.6 million of amortization relating to the acquired intangible assets from IAA since its acquisition, \$0.7 million from the acquisition of VeriTread, as well as amortization of acquired intangible assets from past acquisitions of SmartEquip and Rouse, completed in 2022 and 2021, respectively.
- \$1.5 million gain on disposition of property, plant and equipment and related costs, which primarily includes a \$2.0 million gain for the sale of a property in the United States, partially offset by a \$1.2 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 \$169.1 million gain on the Bolton property in the first quarter of 2022.
- \$39.7 million relating to a fair value adjustment made to the prepaid consigned vehicle charges on the opening balance sheet of IAA, which do not have a future benefit at acquisition, and therefore has created a favorable reduction to our cost of services in the quarter.
- \$0.5 million of legal and other consulting costs associated with the Canada Revenue Agency's ("CRA") investigation.

Recognized in the first quarter of 2023

- \$6.7 million share-based payments expense.
- \$126.2 million of acquisition-related and integration costs primarily relating to the acquisition of IAA, which was completed on March 20, 2023. Acquisition-related and integration costs include financing, severance for certain IAA executives, related accelerated share-based payment expenses and other consulting, legal and other costs incurred to effect the acquisition or integration of the combined businesses.
- \$16.6 million amortization of acquired intangible assets, which includes \$7.7 million of amortization relating to the acquired intangible assets from IAA for the 11-day period since its acquisition, \$0.7 million from the acquisition of VeriTread, as well as amortization of acquired intangible assets from past acquisitions of SmartEquip and Rouse, completed in 2022 and 2021 respectively.
- \$4.0 thousand loss on disposition of property, plant and equipment and related costs includes a \$1.2 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

\$169.1 million gain on the Bolton property in the first quarter of 2022, offset by \$1.2 million gain related to a sale of a property located in Dubai, United Arab Emirates.

- \$2.9 million remeasurements in connection with business combinations, which includes \$1.4 million gain relating to the remeasurement of the Company's previously held 11% interest in VeriTread, in connection with the acquisition of VeriTread in January 2023, and \$1.5 million from the remeasurement of the Company's US opening deferred tax balances driven by a recalculation of a new U.S. tax rate for the Company following the acquisition of IAA.
- \$12.4 million relating to a fair value adjustment made to the prepaid consigned vehicle charges on the opening balance sheet of IAA, which do not have a future benefit at acquisition, and therefore has created a favorable reduction to our cost of services in the quarter.
- \$3.3 million loss on redemption of the 2016 Notes due to the difference between the reacquisition price of the 2016 Notes and the net carrying amount of the extinguishment debt (primarily unrecognized deferred debt issuance costs).
- \$0.2 million of legal and other consulting costs associated with the CRA's investigation.

Recognized in the fourth quarter of 2022

- \$9.1 million share-based payments expense.
- \$22.2 million of acquisition-related and integration costs primarily relating to the proposed acquisition of IAA, and 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 IronPlanet, 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 \$169.1 million gain on the Bolton property in the first quarter of 2022, partially offset by \$0.3 million gain on disposition of property, plant and equipment in the quarter.
- \$0.2 million of restructuring costs relating to retention costs in connection with the restructuring of our information technology team during the year.

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 and integration 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 IronPlanet, 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 \$169.1 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 other 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 and integration costs related to the terminated 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 IronPlanet, 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 \$169.1 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) interest expense of \$4.2 million incurred in the quarter relating to the 2021 Notes, which were redeemed as a result of the terminated Euro Auctions acquisition in April 2022.

- \$1.1 million of other 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 IronPlanet, 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 and integration 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 other 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 IronPlanet, SmartEquip, and Rouse.
- \$14.0 million of acquisition-related and integration 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 other 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.

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, 2023 from those disclosed in Item 7A in our Annual Report on Form 10-K for the year ended December 31, 2022, which is available on our website at <https://investor.rbglobal.com>, on EDGAR at www.sec.gov, or on SEDAR at www.sedar.com.

ITEM 4: CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management of the Company, including the Chief Executive Officer (“CEO”) and the Principal Finance and Accounting Officer (“Principal Financial Officer”), have evaluated the effectiveness of the Company’s disclosure controls and procedures as of September 30, 2023. 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 Principal Financial Officer, 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 Principal Financial Officer concluded that, as of September 30, 2023, 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 the Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

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

Changes in Internal Control over Financial Reporting

Other than related to the acquisition of IAA, there were no changes in our internal control over financial reporting during the quarter ended September 30, 2023 that materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. We are currently in the process of integrating the IAA operations, control processes and information systems into our systems and control environment. We believe that we have taken the necessary steps to monitor and maintain appropriate internal controls over financial reporting during this integration.

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, 2022 and Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023, which are available on our website at <https://investor.rbglobal.com>, on EDGAR at www.sec.gov, or on SEDAR at www.sedar.com. As of the date of this filing, there have been no material changes to such risk factors. 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 occur, our business, financial 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.

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

None.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5: OTHER INFORMATION

During the three months ended September 30, 2023, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

ITEM 6: EXHIBITS

Exhibits

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

Exhibit Number	Document
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 Principal 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 Principal 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, 2023, 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, 2023, formatted in Inline XBRL and contained in Exhibit 101

SIGNATURES

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

RB GLOBAL, INC.

Dated: November 9, 2023

By: /s/ Jim Kessler

Jim Kessler
Chief Executive Officer

Dated: November 9, 2023

By: /s/ Megan Cash

Megan Cash
Principal Finance and Accounting Officer
(Principal Financial Officer)

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

I, Jim Kessler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RB Global, Inc.;
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 9, 2023

/s/ Jim Kessler

Jim Kessler
Chief Executive Officer

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

I, Megan Cash, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RB Global, Inc.;
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 9, 2023

/s/ Megan Cash

Megan Cash
Principal Finance and Accounting Officer
(Principal 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 RB Global, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jim Kessler, 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 9, 2023

/s/ Jim Kessler

Jim Kessler
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 RB Global, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Megan Cash, Principal 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 9, 2023

/s/ Megan Cash

Megan Cash
Principal Finance and Accounting Officer
(Principal Financial Officer)