

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", "confident", "continue", "estimate", "expect", "intend", "may", "remain", "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;
- 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, 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 [34-40](#)).

¹ GTV represents total proceeds from all items sold on our auctions and online marketplaces, third-party online marketplaces, private brokerage services and other disposition channels.

Overview

RB Global, Inc. and its subsidiaries (collectively referred to as “RB Global”, the “Company”, “we”, or “us”) (NYSE & TSX: RBA) is a leading global marketplace that connects sellers and buyers of commercial assets and vehicles. Through our omnichannel platform we facilitate transactions for customers primarily in our automotive and commercial construction and transportation sectors. We also serve customers in the agriculture, energy, and natural resources sectors, as well as government entities. Our customers primarily include automotive insurance companies, as well as end users, dealers, fleet owners, and original equipment manufacturers (“OEMs”) of commercial assets and vehicles. We also provide our customers value-added marketplace services, technology solutions for vehicle merchandising, platforms for lifecycle management of assets, and a market data intelligence platform to help customers make more informed business decisions.

We have a global presence, primarily with operations in the United States, Canada and across Europe, and employ more than 7,700 full-time employees worldwide.

Macroeconomic Conditions and Trends

Gross transaction value and operating costs are impacted by various macroeconomic conditions and trends. The combination of unit volume growth and trends in average selling prices impact total gross transaction value.

In our commercial construction and transportation sector, the need for transaction solutions following the surge experienced post-pandemic has normalized, impacting unit volume growth for large fleet owners. In addition, we have seen a normalization of supply chains, which continues to put pressure on asset prices within the sector. The higher interest rate environment, as well as higher cost of new assets, is driving some customers to delay replacing their existing assets which is contributing to lower need to transact equipment.

In our automotive sector, the total number of accidents and the number of accidents deemed a total loss influence unit volume growth in the industry. The current inflation spread between automotive repair and used vehicles is providing a productive environment for a higher number of vehicles deemed a total loss as a percent of total accidents, which is driving industry salvage unit volume growth. Used automotive prices are declining following the surge in prices observed during the pandemic.

We also see an increase in competitive pressures across all geographies and sectors, continue to experience inflationary pressures on our business through elevated operating costs, and are exposed to interest rate volatility on our variable rate long-term debt totaling approximately \$1.5 billion.

Service Offerings

We offer our customers multiple distinct, complementary, multi-channel brand solutions that address the range of their buying and selling needs for commercial assets, 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, please refer to our Annual Report on Form 10-K for the year ended December 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 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 OEM and dealers.

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 procurement, 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 each period can fluctuate significantly based on the mix of sales arrangements, which is driven by customer preferences. 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 second quarter of 2024 increased 30% to \$100.7 million, compared to \$77.4 million for the second quarter of 2023. Diluted earnings per share ("EPS") available to common stockholders increased 29% to \$0.54 earnings per share in the second quarter of 2024, as compared to \$0.42 per share in the second quarter of 2023. Diluted adjusted EPS available to common stockholders increased 15% to \$0.94 per share in the second quarter of 2024 compared to \$0.82 per share in the second quarter of 2023.

For the second quarter of 2024 as compared to the second quarter of 2023:

- Total GTV decreased 1% to \$4.1 billion
- Total revenue decreased 1% to \$1.1 billion
 - Service revenue increased 7% to \$859.1 million
 - Inventory sales revenue decreased 21% to \$237.0 million
- Net income increased 28% to \$111.0 million
- Adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") increased 11% to \$342.0 million
- Increased quarterly cash dividend by 7% to \$0.29 per share to common stockholders

Results of Operations

The following table summarizes key components of our results of operations for the periods indicated. The financial results include IAA from its acquisition on March 20, 2023.

(in U.S. dollars in millions, except percentages)	Three months ended June 30,			Six months ended June 30,		
	2024	2023	% Change	2024	2023	% Change
			2024 over 2023			2024 over 2023
Service revenue	\$ 859.1	\$ 806.1	7 %	\$ 1,708.2	\$ 1,149.6	49 %
Inventory sales revenue	237.0	300.4	(21)%	452.6	469.3	(4)%
Total revenue	1,096.1	1,106.5	(1)%	2,160.8	1,618.9	33 %
Costs of services	348.8	287.3	21 %	701.8	363.7	93 %
Cost of inventory sold	222.7	291.9	(24)%	419.3	443.4	(5)%
Selling, general and administrative	208.6	194.5	7 %	406.7	342.7	19 %
Acquisition-related and integration costs	4.1	46.3	(91)%	16.9	172.5	(90)%
Depreciation and amortization	110.3	109.6	1 %	218.0	145.8	50 %
Total operating expenses	894.5	929.6	(4)%	1,762.7	1,468.1	20 %
Gain on disposition of property, plant and equipment	0.3	2.7	(89)%	2.7	3.9	(31)%
Operating income	201.9	179.6	12 %	400.8	154.7	159 %
Net income	111.0	86.8	28 %	218.4	58.6	273 %
Net income available to common stockholders	100.7	77.4	30 %	197.8	44.2	348 %
Effective tax rate	24.8 %	27.4 %	(260)bps	24.0 %	28.5 %	(450)bps
Total GTV	\$ 4,104.1	\$ 4,144.0	(1)%	\$ 8,181.5	\$ 6,043.2	35 %
Service GTV	3,867.1	3,843.6	1 %	7,728.9	5,573.9	39 %
Inventory GTV	237.0	300.4	(21)%	452.6	469.3	(4)%
Inventory return	\$ 14.3	\$ 8.5	68 %	\$ 33.3	\$ 25.9	29 %
Inventory rate	6.0 %	2.8 %	320bps	7.4 %	5.5 %	190bps

Total GTV

Total GTV decreased 1% to \$4.1 billion in the second quarter of 2024, and increased 35% to \$8.2 billion in the first six months of 2024 primarily due to the inclusion of GTV from the acquisition of IAA.

The following table summarizes our total GTV by geography for the periods indicated:

(in U.S. dollars in millions, except percentages)	Three months ended June 30,			Six months ended June 30,		
	2024	2023	% Change	2024	2023	% Change
			2024 over 2023			2024 over 2023
United States	\$ 2,931.3	\$ 2,911.5	1 %	\$ 6,193.1	\$ 4,312.4	44 %
Canada	843.6	890.2	(5)%	1,397.1	1,182.1	18 %
International	329.2	342.3	(4)%	591.3	548.7	8 %
Total GTV	\$ 4,104.1	\$ 4,144.0	(1)%	\$ 8,181.5	\$ 6,043.2	35 %

In the second quarter of 2024, total GTV decreased slightly year-over-year due to lower volumes in our automotive and other sectors, primarily offset by strength in our commercial construction and transportation sector. We saw lower lot volumes in our automotive sector, primarily driven by the previously announced shift in assignment volumes from a customer, partially offset by growth in our existing customer base. In addition, average selling prices in our automotive sector were flat year-over-year, which outpaced the industry. The strength in our commercial construction and transportation sector was driven by an increase in the volume of total lots sold, driven in part by our strategic accounts, partially offset by a lower average price per lot sold from asset mix and lower price realization. In Canada, we saw lower GTV from softer year-over-year performances as a result of a shift in contract mix from a lower number of agricultural auction events, and an unfavorable foreign exchange impact. Partially offsetting these decreases, we saw higher volumes in the United States, primarily from strong execution by our strategic accounts and higher imports.

For the first six months of 2024, total GTV increased year-over-year, mainly due to the inclusion of IAA in the first quarter of 2024 for the full quarter compared to the 11-day stub period in the first quarter of 2023. In addition, the increase in total GTV was driven by higher volumes in our commercial construction and transportation sector, mainly in the United States, as discussed above. We also saw stronger year-over-year performances in Canada driven by a higher volume of imports, and in International due to a large-scale auction event held in Europe in the first quarter of 2024. These increases were partially offset by lower volumes in our automotive sector mainly in the United States due to the reasons discussed above, and from a milder winter in the first quarter of 2023.

Total Revenue

Total revenue decreased 1% to \$1.1 billion in the second quarter of 2024 due to a 21% decrease in inventory sales revenue, partially offset by a 7% increase in total service revenue.

Total revenue increased 33% to \$2.2 billion in the first six months of 2024 due to a 49% increase in service revenue, offset by a 4% decrease in inventory sales revenue.

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. 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 procurement, data, transportation and logistics, inspection, appraisals, online listing, financing, title and liens processing, as well as other auction-related fees.

The following table summarizes key components of total service revenue for the periods indicated:

(in U.S. dollars in millions, except percentages)	Three months ended June 30,			Six months ended June 30,		
	2024	2023	% Change	2024	2023	% Change
			2024 over 2023			2024 over 2023
Commissions	\$ 236.3	\$ 233.3	1 %	\$ 463.7	\$ 363.8	27 %
Buyer fees	485.2	465.1	4 %	987.9	604.6	63 %
Marketplace services revenue	137.6	107.7	28 %	256.6	181.2	42 %
Total service revenue	\$ 859.1	\$ 806.1	7 %	\$ 1,708.2	\$ 1,149.6	49 %

In the second quarter of 2024, total service revenue increased 7%, with marketplace services revenue increasing 28%, buyer fees increasing 4%, and commissions revenue increasing 1%.

Marketplace services revenue increased 28% in the second quarter of 2024, primarily driven by higher fees earned from transportation services provided to a large consignor contract in the United States in our commercial construction and transportation sector, as well as from higher document fees from an increase in volume of titled assets sold.

Buyer fees increased 4%, while total GTV decreased 1%, primarily from changes in our buyer fee structures implemented in early 2024 across all sectors, as well as from a higher proportion of low value lots sold in our commercial construction and transportation sector.

Commissions revenue increased 1%, which is in line with the increase in service GTV of 1%.

In first six months of 2024, total service revenue increased 49%, with buyer fees increasing 63%, marketplace services revenue increasing 42%, and commissions increasing 27%.

Buyer fees increased 63%, higher than the 35% increase in total GTV, primarily driven by the inclusion of IAA in the first quarter of 2024 for the full quarter compared to the 11-day stub period in the first quarter of 2023. We also saw higher buyer fees in our automotive and commercial construction and transportation sectors for the same reasons as discussed above.

Marketplace services revenue increased 42%, driven by an increase in fees from the inclusion of IAA in the first quarter of 2024 for the full quarter compared to the 11-day stub period in the first quarter of 2023. In addition, we saw higher marketplace services revenue in our commercial construction and transportation sector, as discussed above.

Commissions revenue increased 27%, less than the 39% increase in service GTV, primarily due to the inclusion of IAA in the first quarter of 2024 for the full quarter compared to the 11-day stub period in the first quarter of 2023 as IAA earns lower commission rates on service GTV through its fixed fee commission contracts with its consignors.

Inventory Sales Revenue

In the second quarter of 2024, inventory sales revenue decreased 21%, primarily in our commercial construction and transportation sector, as well as within our automotive sector, driven by pricing pressures. The decrease in our commercial construction and transportation sector was driven by a non-repeat of a large inventory package in the utilities sector in the United States in the prior year, and a lower mix of inventory contracts. We also saw a decrease in inventory sales revenue in our automotive sector due to a lower number of purchased vehicles sold.

For the first six months of 2024, inventory sales revenue decreased 4%, primarily driven by a lower mix of inventory contracts in our commercial construction and transportation and automotive sectors, for the same reasons as discussed above, primarily offset by the inclusion of IAA in the first quarter of 2024 for the full quarter compared to the 11-day stub period in the prior year.

Costs of Services

In the second quarter of 2024, costs of services increased 21% to \$348.8 million, primarily driven by higher prepaid consigned vehicle charges for vehicles sold in the current period due to a fair value adjustment made to the prepaid consigned vehicle charges on the opening balance sheet of IAA at acquisition in the prior year. We also incurred higher costs of services in connection with a large consignor contract in the transportation sector in the United States, which included higher costs to provide transportation services and higher payments to a third party as part of a profit-sharing arrangement. In addition, we saw an increase in employee compensation expenses primarily driven by higher employee benefit costs due to changes in our benefit plans and increased activity in inspections in our commercial construction and transportation sector.

For the first six months of 2024, costs of services increased 93% to \$701.8 million, primarily due to the inclusion of IAA in the first quarter of 2024 for the full quarter compared to the 11-day stub period in the prior year, as well as higher prepaid consigned vehicle charges for vehicles sold as discussed above. Cost of services also increased in our commercial construction and transportation sector due to the same reasons as discussed above.

Cost of Inventory Sold

In the second quarter of 2024, cost of inventory sold decreased 24% to \$222.7 million, primarily in line with a 21% decrease in inventory sales revenue. Cost of inventory sold decreased at a higher rate than the decrease in inventory sales revenue primarily due to better performance, mainly across all sectors in North America.

For the first six months of 2024, cost of inventory sold decreased 5% to \$419.3 million, primarily in line with the decrease in inventory sales revenue of 4%.

Selling, General and Administrative

In the second quarter of 2024, selling, general and administrative expenses increased 7% to \$208.6 million, as a result of an accrual for a new digital services tax in Canada on certain in-scope revenues earned for the period from January 1, 2022 to June 30, 2024, higher employee compensation expense, primarily from higher share-based payments expense due to timing of grants and higher long-term performance-based incentive compensation, and higher technology and cloud costs as we continue to strategically modernize our operations and technology platforms through use of cloud environments. These increases were partially offset by lower short-term incentive-based compensation expense and other general and administrative costs due to strategic cost reduction initiatives.

For the first six months of 2024, selling, general and administrative expenses increased 19% to \$406.7 million, mainly due to the inclusion of IAA in the first quarter of 2024 for the full quarter compared to the 11-day stub period in the prior year. We also saw

higher employee compensation expense driven by higher share-based payments due to timing, higher long-term performance-based incentive compensation and an increase in the fair value of grants, higher employee benefit costs due to changes implemented in our plans, and an increase in wages and salaries primarily from investments in our sales coverage teams and business operations to grow our market share. In addition, our costs increased due to a new digital services tax accrual in Canada, higher technology and cloud costs, for the same reasons as discussed above, as well as higher legal and professional expenses for certain strategic initiatives. These increases were partially offset by lower travel, advertising and promotional expenses, lower short-term incentive-based compensation expense, and lower other general and administrative costs due to strategic cost reduction initiatives.

Acquisition-related and Integration Costs

In the second quarter of 2024, acquisition-related and integration costs decreased 91% to \$4.1 million primarily due to lower costs in connection with the acquisition of IAA on March 20, 2023. In the prior year, we recognized a net \$16.3 million expense as settlement for the termination of a non-compete agreement bound by IAA prior to the acquisition. We also saw lower integration and severance costs as integration and restructuring activities are being completed.

For the first six months of 2024, acquisition-related and integration costs decreased 90% to \$16.9 million, primarily given the significant financing, legal, investment banking, advisory, and consulting costs incurred in the prior year to complete the acquisition of IAA on March 20, 2023, as well as for the same reasons as discussed above.

Operating Income

For the second quarter of 2024, operating income increased 12% to \$201.9 million, mainly driven by a decrease in acquisition-related and integration costs, partially offset by an increase in selling, general and administrative expenses, as discussed above.

For the first six months of 2024, operating income increased 159% to \$400.8 million, primarily driven by the inclusion of IAA operating income in the first quarter of 2024 for the full quarter compared to the 11-day stub period in the prior year, and the significant decrease in acquisition-related and integration costs, as discussed above. In addition, we saw higher flow-through of service revenue in the commercial construction and transportation sector, partially offset by higher depreciation and amortization driven by the acquisition of IAA 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 second quarter of 2024, income tax expense increased by 12% to \$36.6 million and our effective tax rate decreased 260 bps to 24.8%, as compared to the second quarter of 2023. For the first six months of 2024, income tax expense increased 195% to \$69.1 million, primarily due to the increase in net income before tax, and our effective tax rate decreased 450 bps to 24.0% as compared to the first six months of 2023.

The decrease in the effective tax rate for the second quarter of 2024 was primarily due to a decrease in non-deductible expenses.

The decrease in the effective tax rate for the first six months of 2024 compared to the first six months of 2023 was primarily due to a decrease in non-deductible expenses. Partially offsetting this decrease was a lower tax deduction for PSU and RSU share unit expenses that exceeded the related compensation expense and a lower proportionate benefit related to Foreign-Derived Intangible Income.

Net Income Attributable to Controlling Interests

In the second quarter of 2024, net income attributable to controlling interests increased 28% to \$111.1 million, primarily driven by an increase in operating income and lower interest expense in the current quarter due to lower long-term debt levels driven by repayments of principal. These increases were partially offset by higher income tax expense as discussed above.

For the first six months of 2024, net income attributable to controlling interests increased 272% to \$218.5 million, primarily driven by an increase in operating income, offset by an increase in income tax expense, as discussed above, and higher interest expense due to an increase in long-term debt from funding the IAA acquisition on March 20, 2023.

Diluted EPS

Diluted EPS available to common stockholders increased 29% to \$0.54 per share for the second quarter of 2024, compared to \$0.42 per share for the second quarter of 2023. The increase is primarily due to the increase in net income attributable to controlling interests as discussed above.

U.S. Dollar Exchange Rate Comparison

We conduct global operations in various 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	2024	2023	% Change 2024 over 2023
Period-end exchange rate - June 30,			
Canadian dollar	0.7309	0.7550	(3)%
Euro	1.0716	1.0909	(2)%
British pound sterling	1.2647	1.2674	— %
Australian dollar	0.6683	0.6658	— %
Average exchange rate - Three months ended June 30,			
Canadian dollar	0.7309	0.7445	(2)%
Euro	1.0767	1.0898	(1)%
British pound sterling	1.2618	1.2514	1 %
Australian dollar	0.6590	0.6683	(1)%
Average exchange rate - Six months ended June 30,			
Canadian dollar	0.7364	0.7421	(1)%
Euro	1.0814	1.0815	— %
British pound sterling	1.2650	1.2330	3 %
Australian dollar	0.6584	0.6762	(3)%

In the second quarter of 2024, foreign exchange had a unfavorable impact on total revenue and an favorable impact on expenses when compared to the prior year quarter. These impacts were primarily due to the fluctuations in the Canadian dollar relative to the U.S. dollar.

Non-GAAP Measures

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

Adjusted net income available to common stockholders increased 16% to \$174.1 million in the second quarter of 2024.

Diluted adjusted EPS available to common stockholders increased 15% to \$0.94 per share in the second quarter of 2024.

Adjusted EBITDA increased 11% to \$342.0 million in the second quarter of 2024.

Refer to the non-GAAP measures section below on pages [34-40](#) for further information.

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 on our auctions and online marketplaces, third-party online marketplaces, private brokerage services and other disposition channels. 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 presented GTV from the sale of parts in our vehicle dismantling business within our automotive sector and excluded the number of parts sold from our total lots sold metric. Commencing in the second quarter of 2024, management has begun to review the number of parts sold in our vehicle dismantling business within our other sector and as part of our total lots sold metric.

GTV by Sector

The following table illustrates the breakdown of total GTV by sector for the second quarter of 2024 compared to the same period in 2023.

Our automotive sector includes all consumer automotive vehicles. Our 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 in the agricultural, forestry and energy industries, government surplus assets, smaller consumer recreational transportation items and parts sold in our vehicle dismantling business. All sectors include salvage and non-salvage transactions. Scrapped items disposed of in our disposition channels are excluded from GTV and our total lots sold metric.

(in U.S. dollars in millions, except percentages)	Three months ended June 30,			Six months ended June 30,		
	2024	2023	%	2024	2023	%
			Change			Change
			2024 over 2023			2024 over 2023
Automotive	\$ 2,007.7	\$ 2,101.9	(4)%	\$ 4,112.7	\$ 2,433.6	69 %
Commercial construction and transportation	1,613.3	1,481.3	9 %	3,174.5	2,671.3	19 %
Other	483.1	560.8	(14)%	894.3	938.3	(5)%
	<u>\$ 4,104.1</u>	<u>\$ 4,144.0</u>	<u>(1)%</u>	<u>\$ 8,181.5</u>	<u>\$ 6,043.2</u>	<u>35 %</u>

In the second quarter of 2024, total GTV compared to the second quarter of 2023 decreased by 4% in our automotive sector, primarily due to a shift in assignment volumes from a customer in the United States. GTV increased by 9% in our commercial construction and transportation sector, mainly in the United States, primarily driven by an increase in lot volumes predominantly from our strategic accounts and imports, partially offset by lower average selling prices and an unfavorable asset mix. GTV decreased 14% in our other sector primarily from decreased sales of marine, aircraft and rail assets.

For the first six months of 2024, total GTV compared to the first six months of 2023 increased by 69% in our automotive sector due to the inclusion of IAA in the first quarter of 2024 for the full quarter compared to the 11-day stub period in the first quarter of 2023, and increased 19% in our commercial construction and transportation sector, primarily for the same reasons as discussed above, partially offset by a 5% decrease in our other sector.

Total Lots Sold by Sector

The following table illustrates the breakdown of total lots sold by sector for the second quarter of 2024, compared to the same period in 2023.

(in '000's of lots sold, except percentages)	Three months ended June 30,			Six months ended June 30,		
	2024	2023	% Change	2024	2023	% Change
			2024 over 2023			2024 over 2023
Automotive	547.7	573.4	(4)%	1,132.3	660.9	71 %
Commercial construction and transportation	118.2	84.4	40 %	227.0	141.0	61 %
Other	173.6	172.8	— %	319.2	278.0	15 %
	839.5	830.6	1 %	1,678.5	1,079.9	55 %

In the second quarter of 2024, the total lots sold compared to the second quarter of 2023 decreased by 4% in our automotive sector mainly in the United States due to a shift in assignment volumes from a customer. Total lots sold increased by 40% in our commercial construction and transportation sector, mainly driven by a higher proportion of low value lots in the United States.

For the first six months of 2024, the total lots sold compared to the first six months of 2023 increased by 71% in our automotive sector and increased 15% in the other sector mainly due to the inclusion of IAA in the first quarter of 2024 for the full quarter compared to the 11-day stub period in the prior year. Total lots sold increased by 61% in our commercial construction and transportation sector mainly for the same reason as discussed above.

Debt

We have a credit agreement, which is comprised of multicurrency revolving facilities and the Term Loan A facility (the "TLA Facility"). The TLA Facility is comprised of a facility denominated in US dollars (the "USD TLA Facility"), and a facility denominated in Canadian dollars (the "CAD TLA Facility"). The Credit Agreement matures on September 21, 2026.

The TLA Facility loans are subject to quarterly installments of 1.25% of principal, with the balance payable at maturity. During the six months ended June 30, 2024, the Company repaid \$250.0 million of principal on the USD TLA Facility. As of June 30, 2024, there are no mandatory principal repayments remaining on the USD TLA Facility until maturity of the debt. We continue to seek opportunities to prepay our debt.

At June 30, 2024, the Company also had \$550.0 million aggregate principal amount of 6.750% senior secured notes due March 15, 2028 (the "Secured Notes"), and (ii) \$800.0 million aggregate principal amount of 7.750% senior unsecured notes due March 15, 2031 (the "Unsecured Notes") (collectively, the "Notes"). These Notes were used, along with the USD TLA Facility, to fund the acquisition of IAA, and accrue interest to be paid in cash semi-annually in arrears. The Secured Notes are jointly and severally guaranteed on a senior secured basis and the Unsecured Notes are jointly and severally guaranteed on a senior unsecured basis by certain of the Company's subsidiaries.

The below were our committed and uncommitted revolving credit facilities at June 30, 2024 and December 31, 2023:

(in U.S. dollars in millions)	June 30, 2024	December 31, 2023
<i>Committed</i>		
Multicurrency revolving credit facilities	\$ 750.0	\$ 750.0
<i>Uncommitted</i>		
Foreign demand revolving credit facility	5.0	5.0
Total revolving credit facilities	<u>\$ 755.0</u>	<u>\$ 755.0</u>
<i>Unused</i>		
Multicurrency revolving credit facilities	\$ 706.8	\$ 724.7
Foreign demand revolving credit facility	5.0	5.0
Total revolving credit facilities unused	<u>\$ 711.8</u>	<u>\$ 729.7</u>

Debt Covenants

We were in compliance with all financial and other covenants applicable to our credit facilities at June 30, 2024.

Our ability to borrow under the Credit Agreement 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.

For more information on our debt, see "Item 1 – Financial Statements: Note 14 Debt" in our consolidated financial statements.

Liquidity and Capital Resources

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 short-term incentive compensation paid annually in the first quarter following each fiscal year, (iv) income tax payments, primarily paid in quarterly installments, (v) payments on short-term 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 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 on the TLA Facility of \$1.5 billion and the 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 14 Debt" and "Item 1 – Financial Statements: Note 17 Leases," respectively, in our consolidated financial statements, as well as our audited consolidated financial statements for the year ended December 31, 2023.

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 \$711.8 million, is sufficient to fund our current and planned operating activities.

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.

Book overdrafts represent outstanding checks and other pending disbursements, which are in excess of cash account balances with a right of offset. The excess of such amounts is included within trade and other liabilities in our consolidated balance sheet.

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.

Cash Flows

(in U.S. dollars in millions)	Six months ended June 30,		
	2024	2023	Change 2024 over 2023
Cash provided by (used in):			
Operating activities	\$ 462.1	\$ 49.9	\$ 412.2
Investing activities	(131.7)	(2,892.5)	2,760.8
Financing activities	(322.4)	2,784.2	(3,106.6)
Effect of changes in foreign currency rates	(10.3)	5.8	(16.1)
Net decrease in cash, cash equivalents, and restricted cash	\$ (2.3)	\$ (52.6)	\$ 50.3

Net cash provided by operating activities was \$462.1 million in the first six months of 2024, as compared to net cash provided by operating activities of \$49.9 million in the first six months of 2023. Net cash provided by operating activities increased \$412.2 million mainly due to net cash generated by higher net income from the inclusion of IAA income from operations for a full quarter in the first quarter of 2024 compared to the 11-day stub period in the prior year. We also saw lower acquisition-related and integration costs and lower cash outflow from the net change in operating assets and liabilities of \$136.2 million, partially offset by higher interest expense. The lower cash outflow from operating assets and liabilities was primarily due to lower tax payments due to the non-repeat of taxes paid in 2023 for the taxable gain portion on the sale of the Bolton property, and lower tax prepayments compared to the prior year. We also saw lower cash outflows driven by prepaid consigned vehicle charges with the inclusion of IAA and timing of inventory purchases. In addition, we saw lower cash outflows in the current year from a decrease in volumes in our automotive sector, timing of collection of advances and payments from customers, receipt of reimbursable leasehold improvements from lessors, and from the timing of sales tax remittances in Canada. The above decreases in cash outflows were partially offset by lower book overdrafts, higher incentive-based employee compensation payments from the inclusion of IAA, higher interest payments on our debt, higher operating lease payments, and the timing, size and number of auctions.

Net cash used in investing activities was \$131.7 million in the first six months of 2024, as compared to net cash used in investing activities of \$2.9 billion in the first six months of 2023. The decrease is primarily due to cash used in the prior period to fund the acquisitions of IAA and VeriTread.

Net cash used in financing activities was \$322.4 million in the first six months of 2024, as compared to net cash provided by financing activities of \$2.8 billion in the first six months of 2023. The change is primarily driven by higher cash inflows in the prior period, as we raised \$3.1 billion in debt to fund the acquisition of IAA through the TLA Facility and the Notes, net of debt issuance costs, and received \$496.9 million in net proceeds from the issuance of the Series A Senior Preferred Shares and common stock. We also repaid \$600.0 million of long-term debt in the first half of 2023, for the redemption of our 2016 Notes and repayment of \$100.0 million of debt on our USD TLA Facility, as compared to \$250.0 million repayment on our USD TLA Facility in the current period. We also saw \$100.6 million in lower dividends paid to common stockholders in the current period primarily due to the payment of a one-time special dividend in connection with the IAA acquisition in the prior year. In addition, we received higher proceeds from the exercise of stock options in the current year, driven by a higher share price.

Dividend Information

We declared a dividend of \$0.27 per common share for each of the quarters ended March 31, 2024, December 31, 2023, September 30, 2023, and June 30, 2023. We have declared, but not yet paid, a dividend of \$0.29 per common share for the quarter ended June 30, 2024. 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 second quarter of 2024 represented 7.8 times net income at and for the trailing twelve months ended June 30, 2024, compared to 21.4 times net income at and for the trailing twelve months ended June 30, 2023. The decrease in this debt/net income multiplier was primarily due to higher net income from the inclusion of IAA's net income compared to the stub period in the

prior year, as well as slightly lower levels of debt driven by repayments of principal on our TLA Facility. The adjusted net debt/adjusted EBITDA was 1.8 times at and for the trailing twelve months ended June 30, 2024, compared to 4.1 times at and for the trailing twelve months ended June 30, 2023. The decrease in this debt/net income multiplier was due to the same reasons as discussed above.

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 June 30, 2024, 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, 2023.

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.

In the third quarter of 2023, we updated our calculation of non-GAAP measures and no longer adjust for the purchase accounting adjustments relating to long-lived assets from the application of acquisition accounting in the IAA acquisition. This change was applied retrospectively to the second quarter of 2023.

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. Please refer to page [40](#) for a summary of adjusting items.

Adjusted net income available to common stockholders is calculated as net income available to common stockholders, excluding the effects of adjusting 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, executive transition costs and certain other items.

Net income available to common stockholders is calculated as net income attributable to controlling interests, less cumulative dividends on Series A Senior Preferred Shares and allocated earnings to participating securities.

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.

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 June 30,			Six months ended June 30,		
	2024	2023	% Change	2024	2023	% Change
			2024 over 2023			2024 over 2023
Net income available to common stockholders	\$ 100.7	\$ 77.4	30 %	\$ 197.8	\$ 44.2	348 %
Share-based payments expense	18.1	12.3	47 %	31.4	19.0	65 %
Acquisition-related and integration costs	4.1	46.3	(91)%	16.9	172.5	(90)%
Amortization of acquired intangible assets	69.0	76.0	(9)%	138.6	92.7	50 %
Loss (gain) on disposition of property, plant and equipment and related costs	0.4	(1.5)	NM	(1.4)	(1.5)	(7)%
Prepaid consigned vehicles charges	(1.3)	(39.7)	(97)%	(3.4)	(52.1)	(93)%
Loss on redemption of the 2016 and 2021 Notes and certain related interest expense	—	—	— %	—	3.3	NM
Other legal, advisory, restructuring and non-income tax expenses	7.7	0.5	1440 %	10.0	0.7	1329 %
Executive transition costs	2.0	—	NM	3.7	—	NM
Remeasurements in connection with business combinations	—	—	— %	—	(2.9)	NM
Related tax effects of the above	(24.0)	(18.8)	28 %	(48.8)	(52.5)	(7)%
Related allocation of the above to participating securities	(2.6)	(2.9)	(10)%	(5.2)	(4.6)	13 %
Adjusted net income available to common stockholders	\$ 174.1	\$ 149.6	16 %	\$ 339.6	\$ 218.8	55 %
Weighted average number of dilutive shares outstanding	184,912,584	182,810,399	1 %	184,746,818	152,404,830	21 %
Diluted earnings per share available to common stockholders	\$ 0.54	\$ 0.42	29 %	\$ 1.07	\$ 0.29	269 %
Diluted adjusted earnings per share available to common stockholders	\$ 0.94	\$ 0.82	15 %	\$ 1.84	\$ 1.44	28 %

NM = Not meaningful

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.

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 page [40](#).

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 June 30,			Six months ended June 30,		
	2024	2023	% Change	2024	2023	% Change
			2024 over			2024 over
Net income	\$ 111.0	\$ 86.8	28 %	\$ 218.4	\$ 58.6	273 %
Add: depreciation and amortization	110.3	109.6	1 %	218.0	145.8	50 %
Add: interest expense	59.9	65.0	(8)%	123.8	85.9	44 %
Less: interest income	(6.8)	(5.0)	36 %	(13.4)	(11.3)	19 %
Add: income tax expense	36.6	32.6	12 %	69.1	23.4	195 %
EBITDA	311.0	289.0	8 %	615.9	302.4	104 %
Share-based payments expense	18.1	12.3	47 %	31.4	19.0	65 %
Acquisition-related and integration costs	4.1	46.3	(91)%	16.9	172.5	(90)%
Loss (gain) on disposition of property, plant and equipment and related costs	0.4	(1.5)	NM	(1.4)	(1.5)	(7)%
Remeasurements in connection with business combinations	—	—	— %	—	(1.4)	NM
Prepaid consigned vehicles charges	(1.3)	(39.7)	(97)%	(3.4)	(52.1)	(93)%
Other legal, advisory, restructuring and non-income tax expenses	7.7	0.5	1440 %	10.0	0.7	1329 %
Executive transition costs	2.0	—	NM	3.7	—	NM
Adjusted EBITDA	<u>\$ 342.0</u>	<u>\$ 306.9</u>	<u>11 %</u>	<u>\$ 673.1</u>	<u>\$ 439.6</u>	<u>53 %</u>

NM = Not meaningful

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”.

Adjusted net debt is calculated by subtracting cash and cash equivalents from short and long-term debt and long-term debt in escrow. Adjusted net debt/Adjusted EBITDA is calculated by dividing adjusted net debt by adjusted EBITDA.

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 June 30,		
	2024	2023	% Change 2024 over 2023
Short-term debt	\$ 29.9	\$ 17.2	74 %
Long-term debt	2,826.9	3,123.4	(9)%
Debt	2,856.8	3,140.6	(9)%
Less: cash and cash equivalents	(599.5)	(432.9)	38 %
Adjusted net debt	2,257.3	2,707.7	(17)%
Net income	\$ 365.8	\$ 146.8	149 %
Add: depreciation and amortization	424.4	194.4	118 %
Add: interest expense	251.7	104.6	141 %
Less: interest income	(24.1)	(16.9)	43 %
Add: income tax expense	122.1	51.7	136 %
EBITDA	1,139.9	480.6	137 %
Share-based payments expense	57.9	37.0	56 %
Acquisition-related and integration costs	60.5	196.7	(69)%
(Gain) loss on disposition of property, plant and equipment and related costs	(0.7)	0.3	NM
Remeasurements in connection with business combinations	—	(1.4)	NM
Prepaid consigned vehicles charges	(18.3)	(52.1)	(65)%
Other legal, advisory, restructuring and non-income tax expenses	11.3	2.4	371 %
Executive transition costs	15.7	—	NM
Adjusted EBITDA	\$ 1,266.3	\$ 663.5	91 %
Debt/net income	7.8 x	21.4 x	(64)%
Adjusted net debt/adjusted EBITDA	1.8 x	4.1 x	(56)%

NM = Not meaningful

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.

ROIC is calculated as reported return divided by average invested capital. Reported return is defined as net income attributable to controlling interests excluding the impact of net interest expense, tax effected at the Company's adjusted annualized effective tax rate. Adjusted ROIC is calculated as adjusted return divided by adjusted average invested capital. Adjusted return is defined as reported return 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 but excludes any long-term debt in escrow.

The following table reconciles adjusted return and adjusted ROIC to net income attributable to controlling interests 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 June 30,		
			% Change
	2024	2023	2024 over 2023
Net income attributable to controlling interests	\$ 366.2	\$ 147.0	149 %
Add:			
Interest expense	251.7	104.6	141 %
Interest income	(24.1)	(16.9)	43 %
Interest, net	227.6	87.7	160 %
Tax on interest, net	(55.0)	(21.5)	156 %
Reported return	\$ 538.8	\$ 213.2	153 %
Add:			
Share-based payments expense	57.9	37.0	56 %
Acquisition-related and integration costs	60.5	196.7	(69)%
Amortization of acquired intangible assets	272.2	109.1	149 %
(Gain) loss on disposition of property, plant and equipment and related costs	(0.7)	0.3	NM
Remeasurements in connection with business combinations	0.1	(2.9)	NM
Prepaid consigned vehicles charges	(18.3)	(52.1)	(65)%
Other legal, advisory, restructuring and non-income tax expenses	11.3	2.4	371 %
Executive transition costs	15.7	—	NM
Related tax effects of the above	(94.6)	(68.7)	38 %
Adjusted return	\$ 842.9	\$ 435.0	94 %
Short-term debt - opening balance	\$ 17.2	\$ 8.6	100 %
Short-term debt - ending balance	29.9	17.2	74 %
Average short-term debt	23.6	12.9	83 %
Long-term debt - opening balance	3,123.3	644.4	385 %
Long-term debt - ending balance	2,826.9	3,123.3	(9)%
Average long-term debt	2,975.1	1,883.9	58 %
Preferred equity - opening balance	482.0	—	NM
Preferred equity - ending balance	482.0	482.0	— %
Average preferred equity	482.0	241.0	100 %
Stockholders' equity - opening balance	4,919.8	1,243.7	296 %
Stockholders' equity - ending balance	5,155.3	4,919.8	5 %
Average stockholders' equity	5,037.6	3,081.8	63 %
Average invested capital	\$ 8,518.3	\$ 5,219.6	63 %
ROIC	6.3 %	4.1 %	220bps
Adjusted ROIC	9.9 %	8.3 %	160bps

NM = Not meaningful

Adjusting Items

Recognized in the second quarter of 2024

- \$18.1 million share-based payments expense.
- \$4.1 million of acquisition-related and integration costs, primarily relating to the acquisition of IAA.
- \$69.0 million amortization of acquired intangible assets from past acquisitions.
- \$0.4 million loss on disposition of property, plant and equipment and related costs, primarily driven by non-cash costs arising from the accounting for the sale of the Bolton property, recorded in selling, general and administrative costs.
- \$1.3 million relating to a fair value adjustment made to the prepaid consigned vehicle charges on the opening balance sheet of IAA at acquisition.
- \$7.7 million of other legal, advisory, restructuring and non-income tax expenses, which includes an estimated accrual for a new digital services tax in Canada on certain in-scope revenues earned for the period from January 1, 2022 to June 30, 2024, legal costs in connection with the settlement of an unusual legal claim accrued in the first quarter of 2024, as well as terminated and ongoing transaction costs.
- \$2.0 million of estimated executive transition costs associated with the departure of our ex-CEO on August 1, 2023, which includes estimated settlement amounts and related costs.

Recognized in the first quarter of 2024

- \$13.3 million share-based payments expense.
- \$12.8 million of acquisition-related and integration costs primarily relating to the acquisition of IAA.
- \$69.6 million amortization of acquired intangible assets from past acquisitions, of which \$61.9 million related to the acquired intangible assets from the acquisition of IAA.
- \$1.8 million gain on disposition of property, plant and equipment and related costs, primarily driven by a \$2.2 million gain on a lease modification, offset by non-cash costs arising from the accounting for the sale of the Bolton property, recorded in selling, general and administrative costs.
- \$2.1 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.
- \$2.2 million of other advisory, legal and restructuring costs, which primarily includes a \$1.9 million loss on the settlement of an unusual legal claim recorded in other income, \$0.3 million of terminated and ongoing transaction costs and \$0.1 million of costs incurred with the Canada Revenue Agency's ("CRA") investigation.
- \$1.7 million of estimated executive transition costs associated with the departures of certain executives on August 1, 2023, which includes severance, estimated settlement amounts and related costs.

The adjusting items recognized in our prior quarters are discussed in "Part I, Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our market risk during the three and six months ended June 30, 2024 from those disclosed in Item 7A in our Annual Report on Form 10-K for the year ended December 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.

ITEM 4: CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management of the Company, including the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), have evaluated the effectiveness of the Company’s disclosure controls and procedures as of June 30, 2024. The term “disclosure controls and procedures” means controls and other procedures established by the Company that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Based upon their evaluation of the Company’s disclosure controls and procedures, the CEO and the CFO concluded that, as of June 30, 2024, 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 CFO, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms.

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

Changes in Internal Control over Financial Reporting

On March 20, 2023, the Company completed the acquisition of IAA. Except as it relates to the continued integration of IAA, there were no changes in the Company’s internal control over financial reporting that occurred during the three and six months ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.