

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019

Commission file number: 001-13425



**Ritchie Bros. Auctioneers Incorporated**

(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.)

9500 Glenlyon Parkway  
Burnaby, British Columbia, Canada V5J 0C6

(Address of Principal Executive Offices)

(778) 331-5500

(Registrant's Telephone Number, including Area Code)

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

**Title of Each Class**

**Trading Symbol**

**Name of Exchange on Which Registered**

Common Shares

RBA

New York Stock Exchange

Common Share Purchase Rights

N/A

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **Restricted Share Units**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has 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

At June 30, 2019 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the registrant's common shares held by non-affiliates of the registrant (assuming for these purposes, but without conceding, that all executive officers and directors are "affiliates" of the registrant) was approximately \$3,573,759,165. The number of common shares of the registrant outstanding as of February 26, 2020, was 109,528,545.

**Documents Incorporated by Reference**

Certain portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission ("SEC") pursuant to Regulation 14A not later than 120 days after the registrant's fiscal year ended December 31, 2019, in connection with the registrant's 2019 Annual and Special Meeting of Shareholders, are incorporated herein by reference into Part III of this Annual Report on Form 10-K.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**  
**FORM 10-K**  
**For the year ended December 31, 2019**

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### **Cautionary Note Regarding Forward-Looking Statements**

The information discussed in this Annual Report on Form 10-K of Ritchie Bros. Auctioneers Incorporated (“Ritchie Bros.”, the “Company”, “we”, or “us”) includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”) and Canadian securities laws. These statements are based on our current expectations and estimates about our business and markets, and include, among others, statements relating to:

- our future strategy, objectives, targets, projections, performance, and key enablers;
- our ability to drive shareholder value;
- market opportunities;
- our internet initiatives and the level of participation in our auctions by internet bidders, and the success of IronPlanet, Marketplace-E, and our other online marketplaces;
- our ability to grow our businesses, acquire new customers, enhance our sector reach, drive geographic depth, and scale our operations;
- the impact of our initiatives, services, investments, and acquisitions on us and our customers;
- the acquisition or disposition of properties;
- our ability to integrate our acquisitions;
- our ability to add new business and information solutions, including, among others, our ability to maximize and integrate technology to enhance our existing services and support additional value-added service offerings;
- the supply trend of equipment in the market and the anticipated price environment for late model equipment, as well as the resulting effect on our business and Gross Transaction Value (“GTV”) (defined under “Part I, Item 1: Business” of this Annual Report on Form 10-K);
- fluctuations in our quarterly revenues and operating performance resulting from the seasonality of our business;
- our compliance with all laws, rules, regulations, and requirements that affect our business;
- effects of various economic, financial, industry, and market conditions or policies, including the supply and demand for property, equipment, or natural resources;
- the behavior of equipment pricing;
- the relative percentage of GTV represented by straight commission or underwritten (guarantee and inventory) contracts, and its impact on revenues and profitability;
- the projected increase to our fee revenues as a result of the harmonization of our fee structure;
- our future capital expenditures and returns on those expenditures;
- the effect of any currency exchange and interest rate fluctuations on our results of operations;
- the grant and satisfaction of equity awards pursuant to our compensation plans;
- any future declaration and payment of dividends, including the tax treatment of any such dividends;
- financing available to us, our ability to refinance borrowings, and the sufficiency of our working capital to meet our financial needs; and
- our ability to satisfy our present operating requirements and fund future growth through existing working capital and credit facilities.

Forward-looking statements may appear throughout this report, including the following section "Management's Discussion and Analysis of Financial Condition and Results of Operations". Forward-looking statements are typically identified by such words as "aim", "anticipate", "believe", "could", "continue", "estimate", "expect", "intend", "may", "ongoing", "plan", "potential", "predict", "will", "should", "would", "could", "likely", "generally", "future", "long-term", or the negative of these terms, and similar expressions intended to identify forward-looking statements. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially.

While we have not described all potential risks related to our business and owning our common shares, the important factors discussed in "Part I, Item 1A: Risk Factors" of this Annual Report on Form 10-K for the year ended December 31, 2019 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. You should consider our forward-looking statements in light of the factors listed or referenced under "Risk Factors" herein and other relevant factors.

## PART I

### ITEM 1: BUSINESS

#### Company Overview

Ritchie Bros. Auctioneers Incorporated (“Ritchie Bros.”, the “Company”, “we”, or “us”) (NYSE & TSX: RBA) was founded in 1958 in Kelowna, British Columbia, Canada and is a world leader in asset management and disposition of used industrial equipment and other durable assets, selling \$5.14 billion of used equipment and other assets during 2019. Our expertise, unprecedented global reach, market insight, and trusted portfolio of brands provide us with a unique position in the used equipment market. We sell used equipment for our customers through live, unreserved auctions at 40 auction sites worldwide, which are also simulcast online to reach a global bidding audience and through our online marketplaces.

Through our unreserved auctions, online marketplaces, and private brokerage services, we sell a broad range of used and unused equipment, including earthmoving equipment, truck trailers, government surplus, oil and gas equipment and other industrial assets. Construction and heavy machinery comprise the majority of the equipment sold. Customers selling equipment through our sales channels include end users (such as construction companies), equipment dealers, original equipment manufacturers (“OEMs”) and other equipment owners (such as rental companies). Our customers participate in a variety of sectors, including heavy construction, transportation, agriculture, energy, and mining.

We operate globally with locations in more than 12 countries, including the U.S., Canada, Australia, the United Arab Emirates, and the Netherlands, and employ more than 2,400 full time employees worldwide.

#### Recent Developments

On May 21, 2019, the Company received TSX approval for Normal Course Issuer Bid (Share Repurchase Program) commencing on May 23, 2019 and terminating on May 22, 2020 or on such earlier date as the Company may complete its purchases thereunder or as it may otherwise determine. Under the NCIB, the Company may purchase up to the lesser of 5,449,204 common shares (such amount representing 5% of the common shares of the Company issued and outstanding as of May 10, 2019) or that number of common shares worth an aggregate of US\$100 million. Under the program, the Company repurchased US\$42 million worth of common shares in 2019.

On June 24, 2019, the Board of Ritchie Bros. announced its succession plan and the stepping down of its Chief Executive Officer, Ravi Saligram. Mr. Saligram led the Company and the multi year transformation effort since July 2014. Subsequently, the Board of Ritchie Bros. announced that Sharon Driscoll, Chief Financial Officer, and Karl Werner, President, International, were named interim Co-Chief Executive Officers of the Company effective October 1st, 2019 concurrent with the date of Mr. Saligram’s departure.

On December 16, 2019, the Board of Ritchie Bros. announced Ann Fandozzi would become the new Chief Executive Officer of the Company, and Ms. Fandozzi was appointed CEO effective January 6, 2020. Ms. Fandozzi comes to the Company with a track record of designing and executing winning strategies and driving profitable growth, with a strong customer focus, deep experience in technology, and outstanding management capabilities that will further Ritchie Bros. strategic transformation as a multi-channel, technology-enabled global business.

#### Strategies

We operate in a large and fragmented used equipment marketplace and believe that significant growth opportunities can be captured by building on Ritchie Bros.’ established sales and operations infrastructure combined with IronPlanet’s online formats. Our wide range of sales channels and sales formats offer our customers unprecedented choice from our well-known live and online simulcast options to featured online auctions and marketplaces to private contract negotiations. We are building on our position as trusted advisors and are evolving from transactional selling to solution selling.










At the beginning of 2015, we formalized a new strategy that centered around becoming a more diversified, multi-channel company that offered a full range of asset management and disposition solutions, all on a greater scale, that would provide even more choice to customers. Our strategy focuses on two overarching strategic objectives: (i) grow share of the auction segment and (ii) penetrate the upstream market. The executable pillars of the strategy are Grow, Drive and Optimize.

- a. **GROW Revenues and Earnings.** We are committed to pursuing growth initiatives that will further enhance our sector reach, drive geographic depth, meet a broader set of customer needs, and add scale to our operations. We will leverage multi-channel solutions to drive market share growth. With the acquisition of IronPlanet on May 31, 2017 (the "Acquisition"), Ritchie Bros. now possesses leading mainstream auction solutions and services to be able to serve customers end-to-end in a channel-agnostic manner. We are focused on penetrating the upstream market and are focused on providing alternative solutions such as Marketplace-E to customers who currently use brokers or sell privately and develop partnerships and deeper penetration with retail customers through Ritchie Bros. Asset Solutions ("RBAS").
- Exceptional Customer Service is a key enabler for growth. We will look to leverage our full suite of solutions, competitive technology enablers, customer relationship management, operational excellence and our renowned experienced sales force to provide customers with unparalleled service. We are positioning our Company to offer a truly compelling and superior experience for our customers as we provide them with more choice, more sales channels, and a larger digital offering which will enable equipment sellers to transact and list when they want, where they want and how they want.
- b. **DRIVE Efficiencies and Effectiveness.** We plan to take advantage of opportunities to improve overall effectiveness of our organization.
- c. **OPTIMIZE our Balance Sheet.** Our business model provides us with the ability to generate strong cash flows. Cash flow represents our ability to convert revenue to cash and provides a meaningful indication of the strength of our business. We will focus not only on profit growth but also further enhancing cash flow, reviewing contract structures and auction site returns to improve the cash flow and asset returns.

### Service Offerings

We offer our equipment buyer and seller customers multiple distinct, complementary, multi-channel brand solutions that address their needs. Our global customer base has a variety of transaction options, breadth of services, and the widest selection of used equipment available to them. The tables below illustrate the various channels and brand solutions available under our Auctions and Marketplaces ("A&M") segment, as well as our other services segment.

### Auctions and Marketplace

Channels	Brand Solutions	Description of Offering
Live On Site Auctions		■ Live unreserved on site with live simulcast online auctions
		■ Event-based sales of used construction and heavy equipment held in the Caterpillar dealer geographies
		■ Event-based sales of collector vehicles
Online Auctions and Marketplaces		■ Event-based sales of used energy equipment
		■ Online marketplace for selling and buying used equipment
		■ Online marketplace offering multiple price and timing options
		■ Online marketplace for the sale of government and military assets
Brokerage Service		■ Online truck and trailer marketplace
		■ Confidential, negotiated sale of large equipment

### Gross Transaction Value ("GTV")

We record Gross GTV for our A&M business, which represents total proceeds from all items sold at our auctions and online marketplaces. GTV is not a measure of financial performance, liquidity, or revenue, and is not presented in our consolidated financial statements.

### Contract options

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

- Straight commission contracts, where the consignor receives the gross proceeds from the sale less a pre-negotiated commission rate;
- Guarantee contracts, where the consignor receives a guaranteed minimum amount plus an additional amount if proceeds exceed a specified level; and
- Inventory contracts, where we purchase equipment temporarily for resale.

We collectively refer to guarantee and inventory contracts as underwritten or “at-risk” contracts. In 2019, our underwritten business accounted for approximately 20% of our GTV, compared to 17% in 2018 and 2017.






### Value-added services

We provide a wide array of value-added services to make the process of buying and selling equipment convenient for our customers. In addition to the other services listed in the table below, we also provide the following value-added services to our customers:

- conducting title searches, where registries are commercially available, to ensure equipment is sold free and clear of all liens and encumbrances (if we are not able to deliver clear title, we provide a full refund up to the purchase price to the buyer);
- making equipment available for inspection, testing, and comparison by prospective buyers;
- displaying high-quality, zoomable photographs of equipment on our website;
- providing free detailed equipment information on our website for most equipment;
- providing access to insurance and powertrain warranty products;
- providing access to transportation companies and customs brokerages through our logistical services; and
- handling all pre-auction marketing, as well as collection and disbursement of proceeds.

Our IronClad Assurance equipment condition certification provides online marketplace buyers with information on the condition of the equipment that includes, but is not limited to, providing buyers with pictures and comprehensive inspection information of key systems and components.

### **Other Services**

<b>Channels</b>	<b>Brand Solutions</b>	<b>Description of Offering</b>
Financial Service		■ Loan origination service that uses a brokerage model to match loan applicants with appropriate financial lending institutions
Appraisal Service		■ Unbiased, certified appraisal services, as well as truck and lease return inspection services
Online Listing Service		■ Online equipment listing service and B2B dealer portal
Ancillary Services		■ Repair, paint, and other make-ready services
Logistical Service		■ End-to-end transportation and customs clearance solution for sellers and buyers with shipping needs
Software Service		■ Cloud-based platform to manage end-to-end disposition

### **Intellectual Property**

We believe our intellectual property has significant value and is an important factor in marketing our organization, services, and website, as well as differentiating us from our competitors. We own or hold the rights to use valuable intellectual property such as trademarks, service marks, domain names and tradenames. We protect our intellectual property in Canada, the U.S., and internationally through federal, provincial, state, and common law rights, including registration of certain trade mark and service marks for many of our brands, including our core brands. We also have secured patents for inventions and have registered our domain names.



We rely on contractual restrictions and rights to protect certain of our proprietary rights in products and services. Effective protection of our intellectual property can be expensive to maintain and may require litigation. We must protect our intellectual property rights and other proprietary rights in many jurisdictions throughout the world. In addition, we may, from time to time, be subject to intellectual property claims, including allegations of infringement, which can be costly to defend. For a discussion of the risks involved with intellectual property litigation and enforcement of our intellectual property rights, see the related information in “Part I, Item 1A: Risk Factors” of this Annual Report on Form 10-K.

## **Competition**

### **Competition Overview**

The global used equipment market is highly fragmented with total annual global used equipment volumes estimated at more than \$300 billion. We estimate the used equipment auction segment is \$25 billion. Ritchie Bros. is the largest live auction company and claims approximately 20% market share of the live auction space with its \$5.14 billion in GTV volume in 2019. We compete based on breadth, brand reputation, security, technology, and global reach of our services, as well as in the variety of contracts and methods and channels of selling equipment. In addition to the auction segment, two other major segments include private sales and brokers as well as the retail segment which includes OEM’s, OEM dealers, rental companies and large strategic accounts. We also compete with private sales – often securing new business from equipment owners who had previously tried selling their equipment privately. Given the fragmentation in the auction market as well as upstream opportunities in private sales and retail, there is significant opportunity for growth.

### **Competitive advantages**

Our key strengths provide distinct competitive advantages and have enabled us to achieve significant and profitable growth over the long term.

#### Global platform

We pride ourselves on our unparalleled ability to connect buyers and sellers through our global network of 40 operational auction sites in 12 countries, including the U.S., Canada, Australia, the United Arab Emirates, and the Netherlands and via multiple online sales channels. Our online bidding technology and Ritchie Bros. website are available in 10 and 22 languages, respectively. Our global presence ensures we generate global market pricing for our equipment sellers, as we reach international buyers and equipment demand, helping to deliver strong price realization through our sales channels. This global reach provides us and our selling customers with the ability to transcend local market conditions.

#### Customer Relationships

Relationships are the core of Ritchie Bros. – delighting customers and treating them like friends while meeting their business needs. By offering an unprecedented choice of solutions that best suit our customers’ needs, making their lives easier in the process, we develop relationships that last across generations. We take a long-term approach with our customers and as such we position our sales force to act as trusted advisors to our customers.

### **Breadth of solutions**

Post the acquisition of IronPlanet, we now possess the ability to meet all the buyers’ and sellers’ unique needs in a one-stop-shop manner. The event-driven live on site auction, which has been Ritchie Bros.’ core business for nearly 60 years, is now just one—albeit powerful solution—to meet our customers’ varied needs. By delivering choice, the Company can work with customers as a trusted advisor to provide them each with a tailored suite of equipment disposition solutions and asset management capabilities to best meet their needs.

While Ritchie Bros. has a full suite of solutions, most of its volumes are generated through three core solutions.

1. The unreserved on site auction which provides Ritchie Bros. customers with care, custody, and control at its live auction sites.
2. IronPlanet weekly online auctions for sellers looking to manage the disposition of their assets on a more frequent basis and being able to sell from their yard or location without having to move equipment. Auctions are held every Thursday in North America; monthly in our international regions.
3. The reserved online marketplace that affords sellers with control over price and timing, and with solutions such as Make Offer, Buy Now, and Reserve Price selling formats for buyers. The Company recently launched a combined reserved online marketplace, known as Marketplace-E, bringing together Ritchie Bros.’ Equipment One with IronPlanet’s Daily Marketplace.

## **Data & Analytics**

The Company's deep auction history and strategic investments in technology has enabled us to develop a rich database of information which we intend to leverage to provide our customers with value-added insights, equipment pricing trends, and differentiated service offerings.

We are also deriving enterprise value from data by using it to improve operational efficiencies and augment our transactional products services. We have invested in analytics talent, data infrastructure and integration, and machine learning to provide near real-time strategic and operational insights and services to enable us to deliver on our multi-channel business objectives.

We have also invested in predictive machine learning to deliver highly scalable asset valuation predictions to enable enhanced and scalable asset valuation capabilities. Ritchie Bros. possesses one of the most complete collections of transparent transaction data in the industries we serve. As a paid service, we have recently launched a Data and Insights Module within Ritchie Bros. Asset Solutions. This allows customers to gain self-service insights into market trends, asset pricing and their sales activity on Ritchie Bros. platforms.

## **Our People**

Our continued success is largely dependent on the strength and capabilities of our employees, and we believe that the development of a safe, engaged and inclusive workforce is critical to the achievement of our strategic goals. Along with a strong reputation among customers and the general public, Ritchie Bros. is acknowledged as a great place to work and was recently awarded one of British Columbia's Top Employers in 2018.

### Development and Engagement

Ritchie Bros. recognizes that our employees are our greatest assets. Employee development is not just important to the Company but also for the professional and personal growth of our employees. We foster our employees' development through a wide range of development programs, instructional services and learning products. Ritchie Bros. is creating a learning culture where managers are responsible for providing an environment that supports the growth and development needs of their employees, and where employees are motivated to establish development plans and look for opportunities to apply their learning on the job.

The Company's employees and officers conduct the Company's business on a day-to-day basis in a manner that promotes and protects our reputation and the trust that our customers and investors have in the Ritchie Bros. brand. To further promote and instill strong operating practices and foster appropriate behaviours and decision making, the Company promotes and mandates the following:

### Health & Safety

Our Company's 2,400+ employees have an unreserved commitment to safety and is committed to send everyone home, every day, the way they came to work. We support this commitment through the use of a Safety Steering Team made up of a cross section of functions within the organization, the use of Continuous Improvement Teams made up of Operations, Sales and Administration personnel, an active Risk Identification process at the field level and open communications around safety both on and off the job.

The Safety Steering Team identifies continuous improvement activities using a quarterly review of all incidents across the organization to identify common issues that require attention. In the past three years, we have improved not only our TRIR (Total Recordable Incident Rate) and severity rating but we have seen an overall reduction in total incidents throughout the organization supporting our unreserved commitment to safety and to send everyone home, every day, the way they came to work.

### Diversity & Inclusion

The Company also supports an inclusive workplace culture and is committed to the education, recruitment, development and advancement of diverse team members worldwide. Women's LINK, a global initiative to support women within our company was launched in late 2018 and is focused on strengthening our core value of being a diverse and inclusive global organization as we look to drive innovation through diversity of thought, gender, nationality and ethnicity. LINK is an Employee Resource Group (ERG) to serve as a resource for the women at Ritchie Bros. and the organization itself. Although the ERG's primary goal is to support Ritchie Bros. women, the broader mandate is to make the resources and services available to all employees. Ritchie Bros. is a signatory to the Minerva Pledge on gender diversity.

### Promoting Ethical Conduct

Our success and reputation is founded upon our commitment to honesty, integrity, and doing what is right. We depend on our employees and officers to conduct the Company's business on a day-to-day basis in a manner that promotes and protects our reputation and the trust that our customers and investor have in the Ritchie Bros. brand. Our Code of Conduct and Ethics helps our employees understand what we mean by ethical behavior and to exemplify our core values. Employees are required to complete annual scenario-based training on our Code to reinforce awareness and understanding of how to put these principles into practice each day.

### Ethics Hotline

We maintain a confidential and anonymous independent third-party telephone and web access hotline for anyone to submit concerns regarding potential code violations or other ethics-related matters without fear of repercussions. All reported matters are investigated fully and reported to the Audit Committee of our Board of Directors.

### **The Role of Technology**

The role of technology in our business continues to evolve and become more meaningful as more buyers adopt mobile and online channels to transact their business with us. We have been on a pathway to leverage digital and technology capabilities to improve the consumer auction and leverage technology as a competitive differentiator.

The acquisition of IronPlanet was an inflection point in our business and was a step change in this direction as it positioned us as a technology-enabled asset disposition company. The combination of IronPlanet's technology and our existing assets results in tools and capabilities that provide our customers, both buyers and sellers, with more efficient and richer experiences and value-added differentiators creating deeper brand loyalty.

We remain focused on technology enablement to transform the way we compete, the way we work and the way we leverage technology to drive future growth. Our technology capabilities are delivering choice for our customers in the form of multiple channels for buyers and sellers, meeting customer's asset management needs through information-rich software solutions and leveraging our rich data repository to drive strong sales and improved pricing decisions. We are also providing our customers with leading tools and capabilities to deliver full life-cycle asset management for used equipment.

### Data Privacy and Security

As the role of technology and data in our business expands, so too does the importance of cybersecurity. The Company takes protecting our customers, employees, brand, systems and data very seriously. The Company actively monitors and manages security risks and looks to mitigate them through enterprise-wide programs, employee training and vulnerability assessments. We have made – and continue to make – investments in dedicated information security resources, leadership and technology. We continue to strengthen and enhance our program and controls around people, process and technology and apply risk-based strategies to enhance detection, protection and response efforts.

Our commitment to data security and privacy is demonstrated in the Company's overall approach to governance. We are incorporating security and privacy by design and increasing awareness around the company with support from management and our board, which include:

- We have formed a Data Privacy Committee. The oversight of the committee is to develop and approve our general strategy and policies on data privacy and data protection, assess the data privacy risks associated with the Company's business activities, and provide direction to, and support the initiatives of, our Data Protection Office.
- Our information security and policy committee meets on a monthly basis and advises technology, legal and internal audit on issues of security and risk reduction. This committee is responsible for reviewing and setting security policies, assessing risk and impacts of security incidents, and providing guidance and direction for security programs and strategy. The committee will be advised regarding information security assessment activities and will provide advice regarding education and communication that may be needed to support the information security policies and other compliance policy.
- All eligible employees complete mandatory privacy and information-security training courses, which are refreshed annually. Through continual awareness-building, such as our Cybersecurity Awareness Month every October, we work to promote a culture that understands the critical importance of data security and privacy, areas of vulnerability and how to remain vigilant when handling data.

## Seasonality

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

## Revenue Mix Fluctuations

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

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

## Governmental Regulations and Environmental Laws

Our operations are subject to a variety of federal, provincial, state and local laws, rules, and regulations throughout the world. We believe that we are compliant in all material respects with those laws, rules, and regulations that affect our business, and that such compliance does not impose a material impediment on our ability to conduct our business.

We believe that, among other things, laws, rules, and regulations related to the following list of items affect our business:

- Imports and exports of equipment. Particularly, there are restrictions in the U.S. and Europe that may affect the ability of equipment owners to transport certain equipment between specified jurisdictions. Also, engine emission standards in some jurisdictions limit the operation of certain trucks and equipment in those regions.
- Development or expansion of auction sites. Such activities depend upon the receipt of required licenses, permits, and other governmental authorizations. We are also subject to various local zoning requirements pertaining to the location of our auction sites, which vary among jurisdictions.
- The use, storage, discharge, and disposal of environmentally sensitive materials. Under such laws, an owner or lessee of, or other person involved in, real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances located on or in, or emanating from, such property, as well as related costs of investigation and property damage. These laws often impose liability without regard to whether the owner or lessee or other person knew of, or was responsible for, the presence of such hazardous or toxic substances.
- Worker health and safety, privacy of customer information, and the use, storage, discharge, and disposal of environmentally sensitive materials.

## Available Information

The information contained on or accessible through our website is not part of this Annual Report on Form 10-K. We file required reports on Form 10-K, Form 10-Q, Form 8-K, proxy materials and other filings required under the Exchange Act. The SEC maintains an Internet site ([www.sec.gov](http://www.sec.gov)) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

We maintain a website at [www.rbaction.com](http://www.rbaction.com) and copies of our reports on Form 10-K, Form 10-Q and Form 8-K, proxy materials and other filings required under the Exchange Act, are available on our website, free of charge, as soon as reasonably practicable after we electronically file such reports with, or furnish those reports to, the SEC. We have an investor website at [www.investor.ritchiebros.com](http://www.investor.ritchiebros.com). None of the information on our websites is incorporated into this Annual Report on Form 10-K by this or any other reference.

Also available for investors on our website in the Corporate Governance section for investors are the Code of Business Conduct and Ethics for our directors, officers and employees (“Code of Conduct”), Board Mandate, Audit Committee Charter, Nominating and Corporate Governance Charter, Compensation Committee Charter, Corporate Governance Guidelines, Diversity Policy, Shareholder Engagement Policy, Articles and Bylaws, Majority Voting Policy and Board Chair Role and Description.

Additional information related to Ritchie Bros. is also available on SEDAR at [www.sedar.com](http://www.sedar.com).

As a Canada Business Corporations Act (“CBCA”) company with our principal place of business in Canada, U.S. civil liabilities may not be enforceable against us. Please see “Item 1A. Risk Factors—U.S. civil liabilities may not be enforceable against us, our directors, or our officers,” which is incorporated into this Item 1 by this reference.

## **ITEM 1A: RISK FACTORS**

An investment in our common stock involves a high degree of risk. In addition to the other information included in this Annual Report on Form 10-K, you should carefully consider each of the risks described below before purchasing our common shares. The risk factors set forth below are not the only risks that may affect our business. 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 following risks actually occur, our business, financial condition and results of operations could materially suffer. As a result, the trading price of our common shares could decline, and you may lose all or part of your investment. Information in this section may be considered “forward-looking statements.” See “Cautionary Note Regarding Forward-Looking Statements” for a discussion of certain qualifications regarding such statements.

### **Damage to our reputation could harm our business.**

One of our founding principles is that we operate a fair and transparent business, and consistently act with integrity. Maintaining a positive reputation is key to our ability to attract and maintain customers, investors and employees. Damage to our reputation could cause significant harm to our business. Harm to our reputation could arise in a number of ways, including, but not limited to, employee conduct which is not aligned with our Code of Business Conduct and Ethics (and associated Company policies around behavioural expectations) or our Company’s core values, safety incidents, failure to maintain customer service standards, loss of trust in the fairness of our sales processes, and other technology or compliance failures.

### **We may not realize the anticipated benefits of, and synergies from, the Acquisition.**

Business acquisitions involve the integration of new businesses that have previously operated independently from us. The integration of our operations with those of IronPlanet is expected to result in financial and operational benefits, as well as operating synergies. There can be no assurance, however, regarding when or the extent to which we will be able to realize these and other benefits. Integration may also be difficult, unpredictable, and subject to delay because of possible company culture conflicts and different opinions on future business development.

Although we have moved beyond the most complex stage of our integration, we may not realize the full benefits that we anticipate. If we achieve the expected benefits, they may not be achieved within the anticipated time frame. Also, the benefits from the Acquisition may be offset by costs incurred in integrating Ritchie Bros. and IronPlanet, increases in other expenses, operating losses or problems in the business unrelated to the Acquisition. As a result, there can be no assurance that such synergies or other benefits will be achieved.

### **We have incurred substantial indebtedness in connection with the Acquisition, and the degree to which we are leveraged may materially and adversely affect our business, financial condition and results of operations.**

We have incurred substantial indebtedness in connection with the Acquisition. As at December 31, 2019, we have \$650.2 million of total debt outstanding, consisting of \$159.5 million under a five-year credit agreement (the “Credit Agreement”) with a syndicate of lenders entered into on October 27, 2016, and \$500.0 million aggregate principal amount of 5.375% senior unsecured notes issued December 21, 2016 (the “Notes”), partially reduced by \$9.9 million of unamortized debt issue costs, as well as \$0.6 million under our foreign credit facilities. There is \$480.5 million of availability under the Credit Agreement.

Our ability to make payments on and to refinance our indebtedness, including the debt incurred pursuant to the Acquisition as well as any future debt that we may incur, will depend on our ability to generate cash in the future from operations, financings or asset sales. Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We may not generate sufficient funds to service our debt and meet our business needs, such as funding working capital or the expansion of our operations. If we are not able to repay or refinance our debt as it becomes due, we may be forced to take certain actions, including reducing spending on marketing, advertising and new product innovation, reducing future financing for working capital, capital expenditures and general corporate purposes, selling

assets or dedicating an unsustainable level of our cash flow from operations to the payment of principal and interest on our indebtedness. In addition, our ability to withstand competitive pressures and to react to changes in our industry, including both the live and online auction industry, could be impaired.

The lenders who hold our debt could also accelerate amounts due in the event that we default, which could potentially trigger a default or acceleration of the maturity of our other debt.

In addition, our substantial leverage could put us at a competitive disadvantage compared to our competitors that are less leveraged. These competitors could have greater financial flexibility to pursue strategic acquisitions and secure additional financing for their operations. Our substantial leverage could also impede our ability to withstand downturns in our industry or the economy in general.

We may incur substantial additional indebtedness in the future. The terms of the Credit Agreement and the indenture governing the Notes will limit, but not prohibit, us from incurring additional indebtedness. If we incur any additional indebtedness that has the same priority as the Notes and the guarantees thereof, the holders of that indebtedness will be entitled to share ratably with the holders of the Notes and the guarantees thereof in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of us.

Subject to restrictions in the Credit Agreement and the indenture governing the Notes, we also will have the ability to incur additional secured indebtedness that would be effectively senior to the Notes offered hereby, to the extent of the value of the assets securing such obligations. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

**Our debt instruments have restrictive covenants that could limit our financial flexibility.**

The terms of the Credit Agreement, as well as the indenture governing the Notes, contain financial and other restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Our ability to borrow under our Credit Agreement is subject to compliance with a consolidated leverage ratio covenant and a consolidated interest coverage ratio covenant.

The Credit Agreement includes other restrictions that limit our ability in certain circumstances to: incur indebtedness; grant liens; engage in mergers, consolidations and liquidations; make asset dispositions, restricted payments and investments; enter into transactions with affiliates; and amend, modify or prepay certain indebtedness. The indenture governing the Notes contains covenants that limit our ability in certain circumstances to:

- incur additional indebtedness (including guarantees thereof);
- incur or create liens on their assets securing indebtedness;
- make certain restricted payments;
- make certain investments;
- dispose of certain assets;
- allow to exist certain restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us;
- engage in certain transactions with affiliates; and
- consolidate, amalgamate or merge with or into other companies.

Our failure to comply with these covenants could result in an event of default that, if not cured or waived, could result in the acceleration of substantially all of our funded debt. We do not have sufficient working capital to satisfy our debt obligations in the event of an acceleration of all or a significant portion of our outstanding indebtedness.

**Uncertainty regarding LIBOR may adversely impact our indebtedness under our credit and loan facilities.**

On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if, at that time, LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. Similarly, it is impossible to predict what rate or rates may become accepted alternatives to LIBOR. Potential changes, or uncertainty related to such potential changes, may adversely affect the cost of our borrowings. If LIBOR ceases to exist, the method and rate used to calculate our variable-rate debt in the future may result in interest rates and/or payments that are higher than, lower than, or that do not otherwise correlate over time with the interest rates and/or payments that would have been made on our obligations if LIBOR was available in its current form. The potential effect of the phase-out or replacement of LIBOR on our financial condition and results of operations cannot yet be determined.

**Competition could result in reductions in our future revenues and profitability.**

The global used equipment market, including the auction segment of that market, is highly fragmented. We compete for potential purchasers and sellers of equipment with other auction companies and with non-auction competitors such as equipment manufacturers, distributors and dealers, equipment rental companies, and other online marketplaces. When sourcing equipment to sell at our auctions or other marketplaces, we compete with other on site and online auction companies, OEM and independent dealers, equipment brokers, other third parties, and equipment owners that have traditionally disposed of equipment in private sales.

Some of our competitors have significantly greater financial and marketing resources and name recognition than we do. New competitors with greater financial and other resources and/or different business models/strategies may enter the equipment auction market in the future. Additionally, existing or future competitors may succeed in entering and establishing successful operations in new geographic markets prior to our entry into those markets. They may also compete against us through internet-based services and other combined service offerings.

If commission rates decline, or if our strategy to compete against our many competitors is not effective, our revenues, market share, financial condition and results of operations may be adversely impacted. We may be susceptible to loss of business if competing selling models become more appealing to customers. If our selling model becomes undesirable or we are not successful in adding services complementary to our existing selling model and business, we may not be successful increasing market penetration over the long-term, which could prevent us from achieving our long-term earnings growth targets.

**Our relationships with key long-term customers may be materially diminished or terminated.**

We have long-standing and/or strategic relationships with a number of our customers and business partners, many of whom could unilaterally terminate their relationship with us or materially reduce the amount of business they conduct with us at any time. Market competition, business requirements and financial conditions could adversely affect our ability to continue or expand our relationships with our customers and business partners. There is no guarantee that we will be able to retain or renew existing agreements, or maintain relationships with any of our customers or business partners, on acceptable terms or at all. The loss of one or more of our major customers or business partners could adversely affect our business, financial condition and results of operations.

**Decreases in the supply of, demand for, or market values of used equipment, could harm our business.**

Our revenues could decrease if there was significant erosion in the supply of, demand for, or market values of used equipment, which could adversely affect our financial condition and results of operations. We have no control over any of the factors that affect the supply of, and demand for, used equipment, and the circumstances that cause market values for equipment to fluctuate — including, among other things, economic uncertainty, global geopolitical climate, disruptions to credit and financial markets, lower commodity prices, and our customers' restricted access to capital — are beyond our control. Recent economic conditions have caused fluctuations in the supply, mix and market values of used equipment available for sale, which has a direct impact on our revenues.

In addition, price competition and the availability of equipment directly affect the supply of, demand for, and market value of used equipment. Climate change initiatives, including significant changes to engine emission standards applicable to equipment, may also adversely affect the supply of, demand for our market values of equipment.

**We may incur losses as a result of our guarantee and inventory contracts and advances to consignors.**

Our most common type of auction contract is a straight commission contract, under which we earn a pre-negotiated, fixed commission rate on the gross sales price of the consigned equipment at auction. We use straight commission contracts when we act as agent for consignors. In recent years, a majority of our annual business has been conducted on a straight commission basis. In certain other situations, we will enter into underwritten transactions and either offer to:

- guarantee a minimum level of sale proceeds to the consignor, regardless of the ultimate selling price of the consignment; or
- purchase the equipment outright from the seller for sale through one of our sales channels.

We determine the level of guaranteed proceeds or inventory purchase price based on appraisals performed on equipment by our internal personnel. Inaccurate appraisals could result in guarantees or inventory values that exceed the realizable auction proceeds. In addition, a change in market values could also result in guarantee or inventory values exceeding the realizable auction proceeds. If auction proceeds are less than the guaranteed amount, our commission will be reduced, and we could potentially incur a loss, and, if auction proceeds are less than the purchase price we paid for equipment that we take into inventory temporarily, we will incur a loss. Because a majority of our auctions are unreserved, there is no way for us to protect against these types of losses by bidding on or acquiring any of the items at such auctions. In addition, we do not hold inventory indefinitely waiting for market conditions to improve. If our exposure to underwritten contracts increases, this risk would be compounded.

Occasionally, we advance to consignors a portion of the estimated auction proceeds prior to the auction. We generally make these advances only after taking possession of the assets to be auctioned and upon receipt of a security interest in the assets to secure the obligation. If we were unable to auction the assets or if auction proceeds were less than amounts advanced, we could incur a loss.

**The availability and performance of our technology infrastructure, including our websites, is critical to our business.**

The satisfactory performance, reliability and availability of our websites, enterprise resource planning system, processing systems and network infrastructure are important to our reputation and our business. Our systems may experience service interruptions or degradation because of hardware or software defects or malfunctions, computer denial of service, cyber events, human error and natural events beyond our control. Some of our systems are not fully redundant, and our recovery planning may not be sufficient for all possible disruptions.

Further, we will need to continue to expand, consolidate, and upgrade our technology, transaction processing systems and network infrastructure both to meet increased usage of our online bidding service and other new services and solutions being offered to our customers, to implement new features and functions and as a result of the Acquisition. Our business and results of operations could be harmed if we were unable to expand and upgrade in a timely manner our systems and infrastructure to accommodate any increases in the use of our internet services, or if we were to lose access to or the functionality of our internet systems for any reason, especially if such loss of service prevented internet bidders from effectively participating in one of our auctions. Frequent, persistent or ill-timed interruptions to our internet services could cause current or potential customers to believe that our systems are unreliable, which could lead to the loss of customers and harm our reputation.

We use both internally developed and licensed systems for transaction processing and accounting, including billings and collections processing. We continually upgrade and improve these systems to accommodate growth in our business. If we are unsuccessful in continuing to upgrade our technology, transaction processing systems or network infrastructure to accommodate increased transaction volumes, it could harm our operations and interfere with our ability to expand our business.

**We may not realize the anticipated benefits of, and synergies from, a systems transformation project that the Company is currently developing and implementing.**

We are in the process of developing and implementing our new multichannel administration and reporting system ("MARS") in order to retire or integrate legacy technologies used across our sales platforms. This initiative requires the execution of complex projects involving significant systems and operational changes, which place considerable demands on our management, our employees, our information and other systems. Our ability to successfully implement and realize the benefits from these projects is dependent on management's ability to manage these projects effectively and implement and operate them successfully, without adversely affecting our existing systems, and on our employees' ability to effect the required operational changes. If we fail to implement these projects effectively, including aligning them with our sales operations, we experience significant delay or cost overruns or the necessary overall operational changes are not effected properly, we may not realize the return on our investments that we anticipate, we may adversely affect the operation of other systems, and our business, financial position, operating results, and cash flows could be materially adversely affected.

**Consumer behavior is rapidly changing, and if we are unable to successfully adapt to consumer preferences and develop and maintain a relevant and reliable inventory management and multichannel disposition experience for our customers, our financial performance and brand image could be adversely affected.**

Our business continues to evolve into a one-stop inventory management and multichannel disposition company where customers can buy, sell, or list equipment, when, how, and where they choose- both onsite and online, and manage their existing fleets and/or inventory using our online inventory management tools. As a result of this evolution, increasingly we interact with our customers across a variety of different channels, including live auction, online, through mobile technologies, including the Ritchie Bros. mobile app, social media, and inventory management systems. Our customers are increasingly using tablets and mobile phones to make purchases online and to get detailed equipment information for assets that they own or are interested in purchasing. Our customers also engage with us online, including through social media, by providing feedback and public commentary about all aspects of our business. Consumer shopping patterns are rapidly changing and our success depends on our ability to anticipate and implement innovations in customer experience and logistics in order to appeal to customers who increasingly rely on multiple channels to meet their equipment management and disposition needs. If for any reason we are unable to implement our inventory management and multichannel initiatives, provide a convenient and consistent experience for our customers across all channels, or provide our customers the services they want, when and where they want them at a compelling value proposition, then our financial performance and brand image could be adversely affected.



**A deterioration of general macroeconomic conditions could materially and adversely affect our business.**

Our performance is subject to macroeconomic conditions and their impact on customer spending. Adverse macroeconomic conditions typically result in a general tightening in credit markets, lower levels of liquidity, increased default and bankruptcy rates, and depressed levels of activity and investment.

Challenging macroeconomic conditions may have a negative impact on the operations, financial condition and liquidity of many customers and, as a result, may negatively impact the volume of equipment listed for sale and the prices of equipment sold in our marketplace, thereby having a negative impact on our revenue and ability to grow our business. If sellers choose not to sell their assets as a result of adverse economic conditions, buyers are unable to purchase equipment based on their inability to obtain sufficient financing or are unwilling to do so given the market climate, or if customers are in general financial distress, our operations may be negatively affected and revenue from our marketplace may decrease.

**Our ability to provide a high-quality customer experience may depend on third parties and external factors over which we may have little or no control.**

Our ability to provide a high quality and efficient customer experience is also dependent on external factors over which we may have little or no control, including, without limitation, the reliability and performance of the equipment sold in our marketplaces and the performance of third-party carriers who transport purchased equipment on behalf of buyers. If our customers are dissatisfied with the accuracy of our appraisals and inspections, the quality of the business insights provided by our other value-added services, or do not receive the equipment they purchased in a timely manner or in the condition that they expect, customers may stop using us to purchase equipment. Failure to provide customers with high quality and efficient customer experiences could substantially harm our reputation and adversely impact our efforts to develop customer and industry trust in our brands.

**Government regulation of the Internet and e-commerce is evolving, and unfavorable changes in this or other regulations could substantially harm our business and results of operations.**

We are subject to general business regulations and laws as well as certain federal, provincial, state and local laws, rules and regulations, including those governing the internet and e-commerce. Existing and future laws and regulations may impede the growth of the internet, e-commerce or other services, and increase the cost of doing business, including providing online auction services. These regulations and laws may cover taxation, tariffs, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts, and other communications, consumer protection, broadband residential Internet access and the characteristics and quality of services. It is not clear how existing laws governing issues such as property ownership, sales, use and other taxes, libel, and personal privacy apply to the Internet and e-commerce. Changes to regulations and unfavorable resolution of these issues may harm our business and results of operations.

**We have two vendor contracts with the U.S. Government's Defense Logistics Agency ("DLA") as part of our GovPlanet business unit pursuant to which we acquire a significant amount of inventory. If we are unable to sell the purchased inventory our financial results would be adversely impacted. Also, if our relationship with the DLA is disrupted for any reason, our GovPlanet business unit would be adversely impacted.**

We have two vendor contracts with the DLA pursuant to which we acquire, manage and resell certain assets of the DLA. One of the DLA contracts obliges the Company to purchase non-rolling stock assets in an amount and of a type over which the Company has limited ability to control. In many cases, the type of assets purchased are not what we typically sell through any of our other channels. Although the prices paid by the Company for the non-rolling stock inventory are a fraction of the original acquisition value, we may not have the ability to attract buyers for those assets and the Company may be unable to sell those assets on a timely basis or at all. This would have an adverse affect on the Company's financial results. In addition, if our relationship with the DLA is impaired, we are not awarded new DLA vendor contracts when our current contracts expire, the DLA vendor contract is terminated or the supply of inventory under such contracts is significantly decreased, our GovPlanet business unit would experience a decrease in revenue and GTV.

**Our business is subject to risks relating to our ability to safeguard our information systems, including the cyber-security and privacy of our customers', suppliers', counterparties' and employees' confidential information.**

We rely on information technology to manage our business, including maintaining proprietary databases containing sensitive and confidential information about our customers, suppliers, counterparties and employees (which may include personal information and credit information). An increasing number of websites have disclosed cyber breaches of their security, some of which have involved sophisticated and highly targeted attacks on portions of their websites or infrastructure. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems, change frequently, we may not be able to anticipate these techniques or to implement adequate preventative measures. Unauthorized parties may also attempt to gain access to our systems or facilities through various means, including hacking into our systems or facilities, fraud, trickery or other means of deceiving our employees or contractors. A party that is able to circumvent our security measures

could misappropriate our or our customers' confidential information, cause interruption to our operations, damage our computing infrastructure or otherwise damage our reputation. Although we maintain information security measures, there can be no assurance that we will be immune from these security risks, and any breach of our information security may have a material adverse impact on our business and results of operations.

Under credit card payment rules and our contracts with credit card processors, if there is a breach of payment card information that we collect to process transactions, we could be liable to the payment card issuing banks for their cost of issuing new cards and related expenses. We may also be held liable for certain fraudulent credit card transactions and other payment disputes with customers. If we were unable to accept payment cards, our results of operations would be materially and adversely affected.

Security breaches could damage our reputation, cause a loss of confidence in the security of our services and expose us to a risk of loss or litigation and possible liability for damages. We may be required to make significant expenditures to protect against security breaches or to alleviate problems caused by any breaches. These issues are likely to become costlier as we expand. Our insurance policies may not be adequate to reimburse us for losses caused by security breaches, and we may not be able to fully collect, if at all, under these insurance policies.

**Our future expenses may increase significantly and our operations and ability to expand may be limited as a result of environmental and other regulations.**

A variety of federal, provincial, state and local laws, rules and regulations throughout the world, including local tax and accounting rules, apply to our business. These relate to, among other things, the auction business, imports and exports of equipment, property ownership laws, licensing, worker safety, privacy of customer information, land use and the use, storage, discharge and disposal of environmentally sensitive materials. Complying with revisions to laws, rules and regulations could result in an increase in expenses and a deterioration of our financial performance. Failure to comply with applicable laws, rules and regulations could result in substantial liability to us, suspension or cessation of some or all of our operations, restrictions on our ability to expand at present locations or into new locations, requirements for the acquisition of additional equipment or other significant expenses or restrictions.

The development or expansion of auction sites depends upon receipt of required licenses, permits and other governmental authorizations. Our inability to obtain these required items could harm our business. Additionally, changes or concessions required by regulatory authorities could result in significant delays in, or prevent completion of, such development or expansion.

Under some environmental laws, an owner or lessee of, or other person involved in, real estate may be liable for the costs of removal or remediation of hazardous or toxic substances located on or in, or emanating from, the real estate, and related costs of investigation and property damage. These laws often impose liability without regard to whether the owner, lessee or other person knew of, or was responsible for, the presence of the hazardous or toxic substances.

Environmental contamination may exist at our owned or leased auction sites, or at other sites on which we may conduct auctions, or properties that we may be selling by auction, from prior activities at these locations or from neighboring properties.

In addition, auction sites that we acquire or lease in the future may be contaminated, and future use of or conditions on any of our properties or sites could result in contamination. The costs related to claims arising from environmental contamination of any of these properties could harm our financial condition and results of operations.

There are restrictions in the U.S., Canada and Europe and other jurisdictions in which we do business that may affect the ability of equipment owners to transport certain equipment between specified jurisdictions or the saleability of older equipment. One example of these restrictions is environmental certification requirements in the U.S., which prevent non-certified equipment from entering into commerce in the U.S. In addition, engine emission standards in some jurisdictions limit the operation of certain trucks and equipment in those markets.

These restrictions, or changes to environmental laws, including laws in response to climate change, could inhibit materially the ability of customers to ship equipment to or from our auction sites, reducing our GTV and harming our business, financial condition and results of operations.

International bidders and consignors could be deterred from participating in our auctions if governmental bodies impose additional export or import regulations or additional duties, taxes or other charges on exports or imports. Reduced participation by international bidders and consignors could reduce GTV and harm our business, financial condition and results of operations.

**Losing the services of one or more key personnel or the failure to attract, train and retain personnel could materially affect our business.**

Our future success largely depends on our ability to attract, develop and retain skilled employees in all areas of our business, as well as to design an appropriate organization structure and plan effectively for succession. Although we actively manage our human resource risks, there can be no assurance that we will be successful in our efforts. If we fail to attract, develop and retain skilled employees in all areas of our business, our financial condition and results of operations may be adversely affected, and we may not achieve our growth or performance objectives.

The growth and performance of our business depends to a significant extent on the efforts and abilities of our employees. Many of our key employees have extensive experience with our business. These employees have knowledge and an understanding of our company and industry that cannot be readily duplicated. The loss of any key personnel, or the inability to replace any lost personnel with equally trained personnel, could impair our ability to execute our business plan and growth strategy, cause us to lose customers and reduce our revenues. In addition, the success of our strategic initiatives to expand our business to complimentary service offerings will require new competencies in many positions, and our management and employees will have to adapt and learn new skills and capabilities. To the extent they are unable or unwilling to make these transformational changes, we may be unable to realize the full benefits of our strategic initiatives. We do not maintain key person insurance on the lives of any of our executive officers or other key personnel. As a result, we would have no way to cover the financial loss if we were to lose the services of such employees. This uncertainty may adversely affect our ability to attract and retain key employees.

If any of our key personnel were to join a competitor or form a competing company, existing and potential customers could choose to form business relationships with that competitor instead of us. There can be no assurance that confidentiality, non-solicitation, non-competition or similar agreements signed by our former directors, officers, or employees will be effective in preventing a loss of business.

**Failure to maintain safe sites could materially affect our business and reputation.**

Our employees and customers are often in close proximity with mechanized equipment, moving vehicles and chemical and other industrial substances. Our auction sites and warehouses are, therefore, potentially dangerous places and involve the risk of accidents, environmental incidents and other incidents which may expose us to investigations and litigation or could negatively affect the perception of customer and employee safety, health and security. Even in the absence of any incidents, unsafe site conditions could lead to employee turnover or harm our reputation generally, each of which would affect our financial performance. While safety is a primary focus of our business and is critical to our reputation and performance, our failure to implement safety procedures or implement ineffective safety procedures, would increase this risk and our operations and results from operations may be adversely impacted.

**Income and commodity tax amounts, including tax expense, may be materially different than expected and there is a trend by global tax collection authorities towards the adoption of more aggressive laws, regulations, interpretations and audit practices.**

Our global operations are subject to tax interpretations, regulations, and legislation in the numerous jurisdictions in which we operate, all of which are subject to continual change.

We accrue and pay income taxes and have significant income tax assets, liabilities, and expense that are estimates based primarily on the application of those interpretations, regulations and legislation, and the amount and timing of future taxable income as well as our use of applicable accounting principles. Accordingly, we cannot be certain that our estimates and reserves are sufficient. The timing concerning the monetization of deferred income tax amounts is uncertain, as they are dependent on our future earnings and other events. Our deferred income tax amounts are valued based upon substantively enacted income tax rates in effect at the time, which can be changed by governments in the future.

The audit and review activities of tax authorities affect the ultimate determination of the actual amounts of commodity taxes payable or receivable, income taxes payable or receivable, deferred income tax assets and liabilities, and income tax expense.

There is no assurance that taxes will be payable as anticipated or that the amount or timing of receipt or use of the tax-related assets will be as currently expected. Our experience indicates that taxation authorities are increasing the frequency and depth of audits and reviews. Future tax authority determinations, including changes to tax interpretations, regulations, legislation or jurisprudence, could have a material impact to our financial position. The fact that we operate internationally increases our exposure in this regard given the multiple forms of taxation imposed upon us.

Further and more generally, there has been increased political, media and tax authority focus on taxation in recent years; the intent of which appears to be to enhance transparency and address perceived tax avoidance. As such, in addition to tax risk from a financial perspective, our activities may expose us to reputational tax risk.

**The effects of new regulations and interpretations of the enacted U.S. tax legislation have not yet been fully analyzed and could be materially different from our current estimates.**

On December 22, 2017, U.S. tax legislation known as the Tax Cuts and Jobs Act, or TCJA, was signed into law, significantly reforming the U.S. Internal Revenue Code. The TCJA, among other things, includes changes to U.S. federal tax rates, imposes significant additional limitations on the deductibility of interest, allows for the expensing of capital expenditures, puts into effect the migration from a “worldwide” system of taxation to a territorial system and modifies or repeals many business deductions and credits. The TCJA added a minimum tax on a U.S. corporation’s taxable income after adding back certain deductible payments to non-U.S. affiliates. In addition, the TCJA disallows deductions for interest and royalty payments from U.S. companies to non-U.S. affiliates that are hybrid payments or made to hybrid entities. We continue to examine the impact the TCJA may have on our business. The overall impact of the TCJA remains uncertain. There is no assurance that the final determination of our income tax liability will not be materially different than what is reflected in our income tax provisions and accruals. It is possible that the application of these new rules may have a material and adverse impact on our operating results, cash flows and financial condition.

**Our substantial international operations expose us to foreign exchange rate fluctuations that could harm our results of operations.**

We conduct business in many countries around the world and intend to continue to expand our presence in international markets, including emerging markets. Fluctuating currency exchange rates may negatively affect our business in international markets and our related results of operations.

Although we report our financial results in U.S. dollars, a significant portion of our revenues and expenses are generated outside the U.S., primarily in currencies other than the U.S. dollar. In particular, a significant portion of our revenues are earned, and expenses incurred, in the Canadian dollar and the Euro. As a result, our financial results are impacted by fluctuations in foreign currency exchange rates. We do not currently engage in foreign currency hedging arrangements, and, consequently, foreign currency fluctuations may adversely affect our results of operations.

The results of operations of our foreign subsidiaries are translated from local currency into U.S. dollars for financial reporting purposes. If the U.S. dollar weakens against foreign currencies, the translation of these foreign currency denominated revenues or expenses will result in increased U.S. dollar denominated revenues and expenses. Similarly, if the U.S. dollar strengthens against foreign currencies, particularly the Canadian dollar and the Euro, our translation of foreign currency denominated revenues or expenses will result in lower U.S. dollar denominated revenues and expenses.

In addition, currency exchange rate fluctuations between the different countries in which we conduct our operations impact the purchasing power of buyers, the motivation of consignors, asset values and asset flows between various countries, including those in which we do not have operations. These factors and other global economic conditions may harm our business and our results of operations.

**Our business is subject to the risks of operating internationally.**

We operate in many international jurisdictions. There are risks inherent in doing business internationally, including, but not limited to:

- trade barriers, trade regulations, currency controls, import or export regulations, and other restrictions on doing business freely;
- local labor, environmental, tax, and other laws and regulations, and uncertainty or adverse changes in such laws and regulations or the interpretations thereof;
- difficulties in staffing and managing foreign operations;
- economic, political, social or labor instability or unrest, or changes in conditions;
- terrorism, war, hostage-taking, or military repression;
- corruption;
- expropriation and nationalization;
- high rates of inflation; and
- uncertainty as to litigation in foreign jurisdictions and enforcement of local laws.

If we violate the complex foreign and U.S. laws and regulations that apply to our international operations, we may face fines, criminal actions or sanctions, prohibitions on the conduct of our business and damage to our reputation. These risks inherent in our international operations increase our costs of doing business internationally and may result in a material adverse effect on our operations or profitability.

**Our business operations may be subject to a number of federal and local laws, rules and regulations including export control regulations.**

Our business operations may be subject to a number of federal and local laws, rules and regulations, including the Export Administration Regulations, or EAR, maintained by the U.S. Department of Commerce, the International Traffic in Arms Regulations, or ITAR, maintained by the U.S. Department of State, economic sanctions regulations maintained by the U.S. Department of the Treasury's Office of Foreign Assets Control, or OFAC, and similar regulations in Canada and the European Union ("EU"). We have implemented procedures regarding compliance with these laws, including monitoring, on an automatic and manual basis, the potential sellers and buyers in our marketplace and restricting business from certain countries. We can offer no assurances that these procedures will always be effective.

We have implemented certain processes and procedures to prevent sellers and buyers that are located in a prohibited jurisdiction or are prohibited persons from participating in our marketplaces. Such processes and procedures are designed so that our business is in compliance with OFAC-administered sanctions regulations and other applicable sanction regulations, including those in Canada and the EU.

If we were to violate applicable export control or sanctions regulations, we could be subject to administrative or criminal penalties which, in certain circumstances, could be material. We could be subject to damages, financial penalties, denial of export privileges, incarceration of our employees, other restrictions on our operations, and reputational harm. Further, any action on the part of the U.S. Department of State, the U.S. Department of Commerce, OFAC or other applicable regulator against the company or any of our employees for potential violations of these laws could have a negative impact on our reputation and business, which might decrease stockholder value.

**Failure to comply with anti-bribery, anti-corruption, and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the FCPA, the Corruption of Foreign Public Officials Act, or the CFPOA, and similar laws associated with our activities outside of the U.S. could subject us to penalties and other adverse consequences.**

We are subject to the FCPA, the CFPOA, the U.S. domestic bribery statute contained in 18 U.S.C. §201, the U.S. Travel Act, the USA PATRIOT Act, the United Kingdom Bribery Act of 2010, or the U.K. Bribery Act, and possibly other anti-corruption, anti-bribery and anti-money laundering laws in countries in which we conduct activities or facilitate the buying and selling of equipment. We face significant risks if we fail to comply with the FCPA, the CFPOA and other anti-corruption and anti-bribery laws that prohibit companies and their employees and third-party intermediaries from authorizing, offering or providing, directly or indirectly, improper payments or benefits to foreign government officials, political parties or candidates, employees of public international organizations, and private-sector recipients for the corrupt purpose of obtaining or retaining business, directing business to any person, or securing any advantage. In many foreign countries, particularly in countries with developing economies, it may be a local custom that businesses engage in practices that are prohibited by the FCPA, the CFPOA or other applicable laws and regulations. In addition, we leverage various third parties to sell our solutions and conduct our business abroad. We, our channel partners, and our other third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We may be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities. Our Code of Business Conduct and Ethics and other corporate policies mandate compliance with these anti-bribery laws, which often carry substantial penalties.

Any violation of the FCPA, other applicable anti-bribery, anti-corruption laws, and anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions and, in the case of the FCPA, suspension or debarment from U.S. government contracts, which could have a material and adverse effect on our reputation, business, operating results and prospects. In addition, responding to any enforcement action may result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees.

**We are pursuing a long-term growth strategy that may include acquisitions and developing and enhancing an appropriate sales strategy, which requires upfront investment with no guarantee of long-term returns.**

We continue to pursue a long-term growth strategy, including developing and enhancing an appropriate sales strategy, that contemplates upfront investments, including (i) investments in emerging markets that may not generate profitable growth in the near term, (ii) adding new business and information solutions, and (iii) developing our people. Planning for future growth requires investments to be made now in anticipation of growth that may not materialize, and if our strategies do not successfully address the needs of current and potential customers, we may not be successful in maintaining or growing our GTV and our financial condition and results of operations may be adversely impacted. We may also not be able to improve our systems and controls as a result of increased costs, technological challenges, or lack of qualified employees. A large component of our selling, general and administrative expenses is considered fixed costs that we will incur regardless of any GTV growth. There can be no assurances that our GTV and revenues will be maintained or grow at a more rapid rate than our fixed costs.

Part of our long-term growth strategy includes growth through acquisitions, such as the Acquisition, which poses a number of risks. We may not be successful in identifying appropriate acquisition candidates, consummating acquisitions on satisfactory terms or integrating any newly acquired or expanded business with our current operations. Additionally, significant costs may be incurred in connection with any acquisition and our integration of such businesses with our business, including legal, accounting, financial advisory and other costs. We may also not realize the anticipated benefits of, and synergies from, such acquisition. We cannot guarantee that any future business acquisitions will be pursued, that any acquisitions that are pursued will be consummated, or that we will achieve the anticipated benefits of completed acquisitions.

**We are regularly subject to general litigation and other claims, which could have an adverse effect on our business and results of operations.**

We are subject to general litigation and other claims that arise in the ordinary course of our business. The outcome and impact of such litigation cannot be predicted with certainty, but regardless of the outcome, these proceedings can have an adverse impact on us because of legal costs, diversion of management resources and other factors. While the results of these claims have not historically had a material effect on our business, financial condition or results of operations, we may not be able to defend ourselves adequately against these claims in the future, and these proceedings may have a material adverse impact on our financial condition or results of operations.

In addition to other legal proceedings, we may also be subject to intellectual property claims, which are extremely costly to defend, could require us to pay significant damages, and could limit our ability to use certain technologies in the future. Companies in the Internet and technology industries are frequently subject to litigation based on allegations of infringement or other violations of intellectual property rights.

We periodically receive notices that claim we have infringed, misappropriated, or misused other parties' intellectual property rights. To the extent we gain greater public recognition, we may face a higher risk of being the subject of intellectual property claims.

Third-party intellectual property rights may cover significant aspects of our technologies or business methods or block us from expanding our offerings. Any intellectual property claim against us, with or without merit, could be time consuming and expensive to settle or litigate and could divert the attention of our management. Litigation regarding intellectual property rights is inherently uncertain due to the complex issues involved, and we may not be successful in defending ourselves in such matters.

Many potential litigants, including some patent holding companies, have the ability to dedicate substantial resources to enforcing their intellectual property rights. Any claims successfully brought against us could subject us to significant liability for damages, and we may be required to stop using technology or other intellectual property alleged to be in violation of a third party's rights. We also might be required to seek a license for third-party intellectual property. Even if a license is available, we could be required to pay significant royalties or submit to unreasonable terms, which would increase our operating expenses. We may also be required to develop alternative non-infringing technology, which could require significant time and expense. If we cannot license or develop technology for any allegedly infringing aspect of our business, we would be forced to limit our service and may be unable to compete effectively. Any of these results could harm our business.

**We may be unable to adequately protect or enforce our intellectual property rights, which could harm our reputation and adversely affect our growth prospects.**

We regard our proprietary technologies and intellectual property as integral to our success. We protect our proprietary technology through a combination of trade secrets, third-party confidentiality and nondisclosure agreements, additional contractual restrictions on disclosure and use, and patent, copyright, and trademark laws.

We currently are the registered owners of many Internet domain names internationally. As we seek to protect our domain names in an increasing number of jurisdictions, we may not be successful in doing so in certain jurisdictions. Our competitors may adopt trade names or domain names similar to ours, thereby impeding our ability to promote our marketplace and possibly leading to customer confusion. In addition, we could face trade name or trademark or service mark infringement claims brought by owners of other registered or unregistered trademarks or service marks, including trademarks or service marks that may incorporate variations of our brand names. The legal means we use to protect our proprietary technology and intellectual property do not afford complete protection and may not adequately protect our rights or permit us to gain or keep any competitive advantage. We cannot guarantee that any of our present or future intellectual property rights will not lapse or be invalidated, circumvented, challenged or abandoned; our intellectual property rights will provide competitive advantages to us; our ability to assert our intellectual property rights against potential competitors or to settle current or future disputes will not be limited by our agreements with third parties; any of our pending or future patent applications will be issued or have the coverage originally sought; or our intellectual property rights will be enforced in jurisdictions where competition may be intense or where legal protection may be weak.

We also may allow certain of our registered intellectual property rights, or our pending applications or registrations for intellectual property rights, to lapse or to become abandoned if we determine that obtaining or maintaining the applicable registered intellectual property rights is not worthwhile.

Further, although it is our practice to enter into confidentiality agreements and intellectual property assignment agreements with our employees and contractors, these agreements may not be enforceable or may not provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy, reverse engineer, or otherwise obtain and use our products or technology. We cannot be certain that we will be able to prevent unauthorized use of our technology or infringement or misappropriation of our intellectual property, particularly in foreign countries where the laws may not protect our proprietary rights. Effective patent, copyright, trademark, service mark, trade secret, and domain name protection is time-consuming and expensive to maintain. Litigation may be necessary to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of the proprietary rights of others, which could result in substantial costs and diversion of our resources. In addition, our efforts may be met with defenses and counterclaims challenging the validity and enforceability of our intellectual property rights or may result in a court determining that our intellectual property rights are unenforceable. If we are unable to cost-effectively protect our intellectual property rights, then our business could be harmed. If competitors are able to use our technology or develop proprietary technology similar to ours or competing technologies, our ability to compete effectively and our growth prospects could be adversely affected.

**We are subject to the terms of open source licenses because our technology platform incorporates open source software.**

Some of the software powering our marketplace incorporates software covered by open source licenses. The terms of many open source licenses have not been interpreted by U.S. courts and there is a risk that the licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to operate our marketplace. Under certain open source licenses, we could be required to publicly release the source code of our software or to make our software available under open source licenses. To avoid the public release of the affected portions of our source code, we could be required to expend substantial time and resources to re-engineer some or all of our software which could significantly interrupt our operations.

In addition, use of open source software can lead to greater risks than use of third-party commercial software because open source licensors generally do not provide warranties or controls on the origin of the software. Use of open source software may also present additional security risks because the public availability of this software may make it easier for hackers and other third parties to determine how to compromise our technology platform. Any of these risks could be difficult to eliminate or manage and, if not addressed, could adversely affect our business, financial condition and results of operations.

**Our business continuity plan may not operate effectively in the event of a significant interruption of our business.**

We depend on our information and other systems and processes for the continuity and effective operation of our business. We have implemented a formal business continuity plan covering most significant aspects of our business that would take effect in the event of a significant interruption to our business, or the loss of key systems as a result of a natural or other disaster. Although we have tested our business continuity plan as part of the implementation, there can be no assurance that it will operate effectively or that our business, results of operations and financial condition will not be materially affected in the event of a significant interruption of our business.

If we were subject to a disaster or serious security breach, it could materially damage our business, financial condition and results of operations.

**Our insurance may be insufficient to cover losses that may occur as a result of our operations.**

We maintain property and general liability insurance. This insurance may not remain available to us at commercially reasonable rates, and the amount of our coverage may not be adequate to cover all liabilities that we may incur. Our auctions generally involve the operation of large equipment close to a large number of people, and despite our focus on safe work practices, an accident could damage our facilities or injure auction attendees. Any major accident could harm our reputation and our business. In addition, if we were held liable for amounts exceeding the limits of our insurance coverage or for claims outside the scope of our coverage, the resulting costs could harm our financial condition and results of operations.

**Certain global conditions may affect our ability to conduct successful events.**

Like most businesses with global operations, we are subject to the risk of certain global or regional adverse conditions, such as pandemics or other disease outbreaks, including COVID-19, or natural disasters including extreme weather or other events, such as hurricanes, tornadoes, earthquakes, forest fires or floods that could hinder our ability to conduct our scheduled auctions, restrict our customers' travel patterns or their desire to attend auctions or impact our online operations, including disrupting the Internet or mobile networks or one or more of our service providers. If this situation were to occur, we may not be able to generate sufficient equipment consignments to sustain our business or to attract enough bidders to our auctions to achieve world fair market values for the items we sell. This could harm our financial condition and results of operations. Some climatic models indicate that global warming may result in rising sea levels, increased intensity of weather, and increased frequency of extreme precipitation and flooding. To the extent these phenomena occur, the risks noted above may increase.

**Our operating results are subject to quarterly variations.**

Historically, our revenues and operating results have fluctuated from quarter to quarter. We expect to continue to experience these fluctuations as a result of the following factors, among others:

- the size, timing, nature and frequency of our auctions;
- the seasonal nature of the auction business in general, with peak activity typically occurring in the second and fourth calendar quarters, mainly as a result of the seasonal nature of the construction and natural resources industries;
- the extent and performance of our underwritten (guarantee and outright purchase) contracts;
- general economic conditions in the geographical regions in which we operate; and
- the timing of acquisitions and development of auction facilities and related costs.

In addition, we may incur substantial costs when entering new geographies and the profitability of operations at new locations is uncertain as a result of the increased variability in the number and size of auctions at new sites. These and other factors may cause our future results to fall short of investor expectations or not to compare favorably to our past results. Further, as our results generally fluctuate from quarter to quarter, period-to-period comparisons of our results of operations may not be meaningful indicators of future performance.

**New regulation in the areas of consumer privacy and commercial electronic messages may restrict or increase costs of our marketing efforts.**

Our operation and marketing activities are subject to various types of regulations, including laws relating to the protection of personal information, consumer protection and competition. User data protection and communication-based laws may be interpreted and applied inconsistently from country to country, and these laws continue to develop in ways we cannot predict and that may adversely affect our business. Complying with these varying national requirements could cause us to incur substantial costs or require us to change our marketing practices in a manner with adverse effects on our business, and violations of privacy-related laws can result in significant penalties. See “— We process, store, and use personal information and other data, which subjects us to a variety of evolving governmental regulation, industry standards and self-regulatory schemes, contractual obligations, and other legal obligations related to privacy and data protection, which may increase our



costs, decrease adoption and use of our products and services and expose us to liability.” A determination that there have been violations of laws relating to our marketing practices under communications-based laws could damage our reputation and expose us to significant damage awards, fines and other penalties that could, individually or in the aggregate, materially harm our business.

**We process, store, and use personal information and other data, which subjects us to a variety of evolving governmental regulation, industry standards and self-regulatory schemes, contractual obligations, and other legal obligations related to privacy and data protection, which may increase our costs, decrease adoption and use of our products and services and expose us to liability.**

There are a number of national, federal, provincial, state, local laws, rules and regulations, as well as contractual obligations and industry standards, that provide for certain obligations and restrictions with respect to data privacy and security, including with regard to the collection, storage, use, sharing, disclosure and deletion of personal information and other customer or employee data. The scope of these obligations and restrictions is changing, subject to differing interpretations, and may be inconsistent among countries or conflict with other rules, and their status remains uncertain.

Within the EU, the General Data Protection Regulation (“GDPR”), which replaced the EU Directive 95/46/EC, applies to a company which processes personal information as part of its activities or one its branches established in the EU, regardless of where such data is processed, or where a company established outside the EU offers goods or services or monitors the behaviour of individuals in the EU. GDPR governs the collection, storage, use, sharing, disclosure, deletion and other processing of personal information and other customer or employee data. Penalties for non-compliance with the GDPR are considerable, allowing EU regulators to impose a monetary penalty equal to the greater of €100 million or 4% of a non-compliant organization’s worldwide annual turnover. Such penalties would be in addition to the rights of individuals to sue for damages in respect of any data privacy breach which causes them to suffer loss.

GDPR, and applicable member states’ implementations thereof, require the transfer of personal information to us and by us from the EU to be governed by a lawful transfer mechanism. If the lawful transfer mechanisms we rely on for such transfers are considered illegitimate by EU member state courts or supervisory authorities, our ability to transmit and share data with our affiliated entities, service providers and third-party partners may be limited and could cause us to incur substantial costs to change our business practices in a manner adverse to our business.

As Internet commerce and related technologies continue to evolve, thereby increasing capacity to process large volumes of personal information, consumer sentiment towards increased transparency and control and further regulation by federal, provincial, state or foreign governments and agencies becomes more likely. We believe that the adoption of increasingly restrictive regulation in the field of data privacy and security is likely in both the U.S. and in other jurisdictions, possibly as restrictive as the EU model. California’s new law, the California Consumer Privacy Act (“CCPA”), came into force at the start of 2020 and gives the Attorney General of California the right to levy civil penalties and commence lawsuits for alleged violations. In other jurisdictions, data protection regulators, in addition to imposing penalties, have the power to seek injunctive relief and make various orders, including the cessation of certain data processing activities. Obligations and restrictions imposed by CCPA and other current and future applicable laws, regulations, contracts and industry standards could increase the cost of our operations and may affect our ability to provide all the current features of our products and services requiring us to change our business practices in a manner adverse to our business. Failure to comply with these obligations and restrictions could subject us to lawsuits, fines, criminal penalties, statutory damages, consent decrees, injunctions, adverse publicity and other losses that could harm our business.

In addition to government activity, privacy advocacy groups and industry groups have adopted and are considering the adoption of various self-regulatory standards and codes of conduct that, if applied to our business or current practices may place additional burdens on us, which may increase the costs of our products and services further reducing demand and harming our business.

Our customers may also accidentally disclose their passwords or store them on a mobile device that is lost or stolen, creating the perception that our systems are not secure against third-party access. Additionally, our third-party contractors may have access to customer data. If these or other third-party vendors violate applicable laws or our policies, such violations may also put our customers’ information at risk and could in turn have a material and adverse effect on our business. Any failure by us to protect our customers’ privacy and data, including as a result of our systems being compromised by hacking or other malicious or surreptitious activity, could result in a loss of customer confidence and ultimately in a loss of customers, which could materially and adversely affect our business.

**Our articles, by-laws, shareholder rights plan and Canadian legislation contain provisions that may have the effect of delaying or preventing a change in control.**

Certain provisions of our articles of amalgamation, and by-laws, as well as certain provisions of the Canada Business Corporations Act (the “CBCA”) and applicable Canadian securities law, could discourage potential acquisition proposals, delay or prevent a change in control or materially adversely impact the price that certain investors might be willing to pay for our common shares. Our articles of amalgamation authorize our board of directors to determine the designations, rights and restrictions to be attached to, and to issue an unlimited number of, junior preferred shares and senior preferred shares.

Our by-laws contain provisions establishing that shareholders must give advance notice to us in circumstances where nominations of persons for election to our board of directors are made by our shareholders other than pursuant to either a requisition of a meeting made in accordance with the provisions of the CBCA or a shareholder proposal made in accordance with the provisions of the CBCA.

Among other things, these advance notice provisions set a deadline by which shareholders must notify us in writing of an intention to nominate directors for election to the board of directors prior to any shareholder meeting at which directors are to be elected and set forth the information required in this notice for it to be valid.

Our board of directors has adopted a shareholder rights plan (the “Rights Plan”), pursuant to which we issued one right in respect of each common share outstanding. Under the Rights Plan, following a transaction in which any person becomes an “acquiring person” as defined in the Rights Plan, each right will entitle the holder to receive a number of common shares provided in the Rights Plan. The purposes of the Rights Plan are (i) to provide our board of directors time to consider value-enhancing alternatives to a take-over bid and to allow competing bids to emerge; (ii) to ensure that shareholders are provided equal treatment under a take-over bid; and (iii) to give adequate time for shareholders to properly assess a take-over bid without undue pressure. The Rights Plan can potentially impose a significant penalty on any person commencing a takeover bid that would result in the offeror becoming the beneficial owner of 20% or more of our outstanding common shares.

Any of these provisions, as well as certain provisions of the CBCA and applicable Canadian securities law, may discourage a potential acquirer from proposing or completing a transaction that may have otherwise presented a premium to our shareholders.

**U.S. civil liabilities may not be enforceable against us, our directors, or our officers.**

We are governed by the CBCA and our principal place of business is in Canada. Many of our directors and officers reside outside of the U.S. and all or a substantial portion of their assets, as well as a substantial portion of our assets, are located outside the U.S. As a result, it may be difficult for investors to effect service of process within the U.S. upon us and such directors and officers or to enforce judgments obtained against us or such persons, in U.S. courts, in any action, including actions predicated upon the civil liability provisions of U.S. federal securities laws or any other laws of the U.S.

Additionally, rights predicated solely upon civil liability provisions of U.S. federal securities laws or any other laws of the U.S. may not be enforceable in original actions, or actions to enforce judgments obtained in U.S. courts, brought in Canadian courts, including courts in the Province of British Columbia.

**We are governed by the corporate laws of Canada which in some cases have a different effect on shareholders than the corporate laws of Delaware.**

We are governed by the CBCA and other relevant laws, which may affect the rights of shareholders differently than those of a company governed by the laws of a U.S. jurisdiction, and may, together with our charter documents, have the effect of delaying, deferring or discouraging another party from acquiring control of our company by means of a tender offer, a proxy contest or otherwise, or may affect the price an acquiring party would be willing to offer in such an instance.

**ITEM 1B: UNRESOLVED STAFF COMMENTS**

Not applicable.

## ITEM 2: PROPERTIES

We own and lease various properties in Canada, the United States and 10 other countries globally. We use the properties as auction sites and executive and administrative offices. Our corporate headquarters are located in Burnaby, Canada, and are held through a lease that expires in May 2030. We also lease a U.S. Leadership Office in Chicago, United States, a European head office in Breda, the Netherlands, and IronPlanet's head office in Pleasanton, United States. We own an administrative office in Lincoln, United States.

### International network of auction sites

We generally attempt to establish our auction sites in industrial areas close to major cities. Although we lease some auction sites, we have historically preferred to purchase land and construct purpose-built facilities once we have established a base of business and determined that a region can generate sufficient financial returns to justify the investment.

We generally do not construct a permanent auction site in a region until we have conducted several offsite sales in the area, and often we will operate from a regional auction site for several years before considering a more permanent investment. This process allows us to establish our business and evaluate the market potential before we make a significant investment. We will not invest in a permanent auction site unless we believe there is an opportunity for significant, profitable growth in that region. Our average expenditure on a permanent auction site has been in the range of \$20 to \$25 million, including land, improvements and buildings.

We currently have 40 locations in our auction site network, comprised of 35 permanent auctions sites and five regional sites as of the date of this Annual Report on Form 10-K. A permanent auction site includes locations that we own and on which we have constructed an auction theatre and other facilities (e.g. refurbishment), and that we lease with an original term longer than three years and on which we have built permanent structures with an investment of more than \$1.5 million.

A regional auction site is a location that we lease on a term longer than one year, have limited investment in facilities (i.e. less than \$1.5 million) and on which we average more than two auctions per year on a rolling two-year basis and have at least two full time staff. This category also includes sites located on land that we own with limited investment in facilities.

Our auction site network as of the date of this discussion is as follows:

	Number of acres			Year placed into service	Nature	Lease expiry date
	Total	Developed	Developable			
<b>Permanent auction sites</b>						
Canada:						
Edmonton, Alberta	267	175	92	2002	Owned	
Grande Prairie, Alberta	153	68	68	2009	Owned	
Montreal, Quebec	91	68	—	2000	Owned	
Toronto, Ontario	65	65	—	1998	Owned	
Saskatoon, Saskatchewan	60	40	11	2006	Owned	
Regina, Saskatchewan	47	17	30	2007	Owned	
Halifax, Nova Scotia	25	25	—	1997	Owned	
Chilliwack, British Columbia	24	24	—	2010	Owned	
United States:						
Orlando, Florida	225	189	27	2002	Owned	
Chehalis, Washington	204	131	40	2012	Owned	
North East, Maryland	193	80	28	2001	Owned	
Denver, Colorado	143	70	72	2007	Owned	
Columbus, Ohio	130	95	25	2007	Owned	
Houston, Texas	128	116	—	2009	Owned	
Minneapolis, Minnesota	122	70	52	2009	Owned	
Fort Worth, Texas	127	127	—	1994	Owned	
Atlanta, Georgia	94	62	7	1996	Owned	
Chicago, Illinois	91	71	20	2000	Owned	
Sacramento, California	90	90	—	2005	Owned	

	Number of acres			Year placed into service	Nature	Lease expiry date
	Total	Developed	Developable			
<b>United States (continued):</b>						
Las Vegas, Nevada	77	77	—	2012	Leased	31-May-33
Los Angeles, California	65	63	2	2000	Owned	
Phoenix, Arizona	48	48	—	2002	Owned	
Nashville, Tennessee	46	40	6	2006	Owned	
Kansas City, Missouri	40	40	—	2008	Owned	
Salt Lake City, Utah	37	37	—	2010	Leased	28-Feb-24
<b>Other:</b>						
Mexico City (Polotitlan), Mexico	324	82	207	2008	Owned	
Madrid (Ocaña), Spain	85	65	20	2010	Owned	
Moerdijk, The Netherlands	62	62	—	1999	Owned	
Milan (Caorso), Italy	62	42	10	2010	Owned	
Paris (St. Aubin sur Gaillon), France	50	50	—	2008	Owned	
Dubai, United Arab Emirates	44	44	—	1999	Leased	30-Jun-29
Brisbane, Australia	42	42	—	1999	Owned	
Meppen, Germany	41	41	—	2010	Leased	31-Oct-24
Melbourne (Geelong), Australia	40	40	—	2013	Owned	
Tokyo (Narita), Japan	17	17	—	2010	Owned	
<b>Regional auction sites</b>						
Tipton, United States	60	60	—	2010	Leased	30-Jun-21
Lethbridge, Canada	30	25	5	2011	Leased	30-Jun-23
Maltby, United Kingdom	25	—	25	2019	Leased	31-Jan-35
North Franklin, United States	23	23	—	2017	Leased	31-Jul-21
North Battleford, Canada	21	11	10	2017	Leased	14-Nov-22

We also own the following developable properties that are not currently under development but are available for future auction site expansion:

	Number of acres	Year acquired
Casa Grande, United States	125	2010
Tulare, United States	99	2011

We believe that our administrative offices and developed auction sites are adequate and suitable for the conduct of our operations. Further, we believe that our properties that are being developed to expand our existing auction sites are sufficient to support the growth of our live on-site business.

In early 2018, the Company entered into long-term leases in Las Vegas, Nevada and Chambersburg, Pennsylvania to support the Company's government business. These warehouses became fully operational in the third quarter of 2018 and continue to support the U.S Government's Defense and Logistics Agency non-rolling stock contract.

In December 2018 we entered into a long-term lease agreement for a property in Maltby, United Kingdom to replace our Donnington Park, United Kingdom auction site in the East Midlands. We have commenced the long-term development process and expect this site to be complete in 2021. We conducted our first sales at this location in 2019 using temporary facilities while the development process continues.

### **ITEM 3: 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 4: MINE SAFETY DISCLOSURES**

Not applicable.

## **PART II**

### **ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES**

#### **Outstanding Share Data**

We are a public company and our common shares are listed under the symbol "RBA" on the New York Stock Exchange ("NYSE") and the Toronto Stock Exchange ("TSX"). Financial information about our equity and share-based payments is set forth in our consolidated financial statement footnotes 23 "Equity and dividends" and 24 "Share-based payments" in "Part II, Item 8: "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

#### **Market Information**

Our common shares, without par value, are issued in registered form. The transfer agent for the shares is Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1. Our common shares trade on the NYSE and on the TSX under the symbol "RBA". On February 27, 2020, there were 417 holders of record of our common shares that do not include the shareholders for whom shares are held in a nominee or street name.

#### **Dividend Policy**

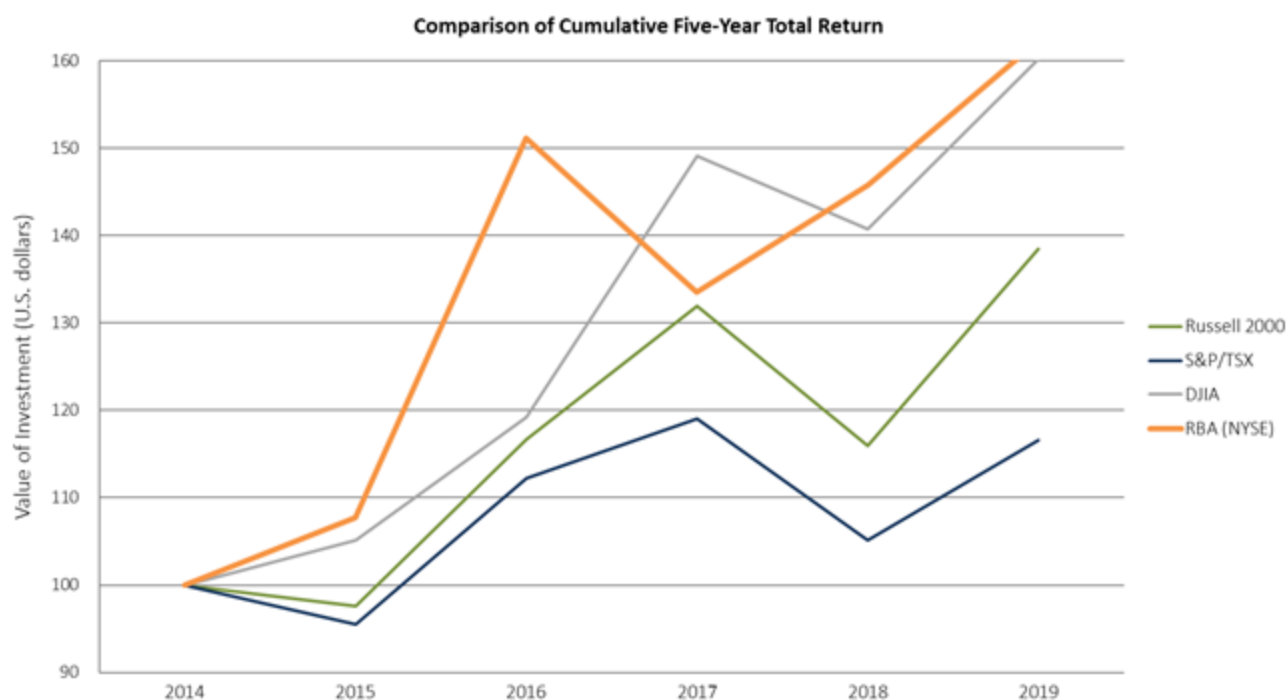
We currently pay a regular quarterly cash dividend of \$0.20 per common share. We currently intend to continue to declare and pay a regular quarterly cash dividend on our common shares; however, any decision to declare and pay dividends in the future will be made at the discretion of our Board, after considering our operating results, financial condition, cash requirements, financing agreement restrictions and any other factors our Board may deem relevant.

Because Ritchie Bros. Auctioneers Incorporated is a holding company with no material assets other than the shares of its subsidiaries, our ability to pay dividends on our common shares depends on the income and cash flow of our subsidiaries. No financing agreements to which our subsidiaries are party currently restrict those subsidiaries from paying dividends.

Pursuant to income tax legislation, Canadian resident individuals who receive "eligible dividends" in 2006 and subsequent years will be entitled to an enhanced gross-up and dividend tax credit on such dividends. All dividends that we pay are "eligible dividends" unless indicated otherwise.

#### **Comparison of Cumulative Return**

The following graph compares the cumulative return on a \$100 investment in our common shares over the last five fiscal years beginning December 31, 2014 through December 31, 2019, to that of the cumulative return on a \$100 investment in the Russell Global Index ("Russell 2000"), the S&P / TSX Composite Index ("S&P/TSX") and the Dow Jones Industrial Average Index ("DJIA") for the same period. In calculating the cumulative return, reinvestment of dividends, if any, is assumed. The indices are included for comparative purpose only. This graph is not "soliciting material," is not deemed filed with the SEC and is not to be incorporated by reference in any of our filings under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.



Company / index	2014	2015	2016	2017	2018	2019
RBA (NYSE)	\$ 100.00	\$ 107.8	\$ 151.2	\$ 133.5	\$ 145.7	\$ 162.6
Russell 2000	\$ 100.00	\$ 97.6	\$ 116.6	\$ 132.0	\$ 115.9	\$ 138.5
S&P/TSX	\$ 100.00	\$ 95.5	\$ 112.2	\$ 119.0	\$ 105.1	\$ 116.6
DJIA	\$ 100.00	\$ 105.1	\$ 119.2	\$ 149.1	\$ 140.7	\$ 160.1

### Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information about the Company's equity compensation plans as of December 31, 2019.

Plan Category	Number of securities to be issued upon exercise of options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	3,463,333 <sup>(1)</sup>	\$ 29.05 <sup>(2)</sup>	9,343,445 <sup>(3)</sup>
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>3,463,333</b>	<b>\$ 29.05</b>	<b>9,343,445</b>

- (1) Reflects our Stock Option Plan, the IronPlanet Stock Plans, PSUs granted under the Executive PSU Plan and the Employee PSU Plan, and equity-classified RSUs. This amount reflects 100% of target numbers of PSUs granted and includes dividend equivalent rights credited in connection with such PSUs. Under the PSU Plans, the number of PSUs that vest is conditional upon specified market, service, and/or performance vesting conditions being met. For the share units granted under the PSU Plans in 2017 and 2018, the market vesting condition is based on the relative performance of our share price in comparison to the performance of a pre-determined portfolio of other companies' share prices. There were no market vesting conditions for the share units granted under the PSU Plans in 2019. All share units granted under our PSU plans contain non-market vesting conditions that are based on the achievement of specific performance measures and can result in participants earning between 0% and 200% of the target number of PSUs granted. Further, the Company has the option to choose whether to settle the PSUs in cash or in shares.
- (2) Weighted average exercise price does not include the effect of our outstanding share units. The remaining term of our stock options is 7.1 years.
- (3) Consists of: (a) 7,203,535 common shares available for issuance under the Stock Option Plan; (b) no common shares are available for issuance under the IronPlanet Stock Plans; (c) 1,577,516 common shares that we may elect to issue upon settlement of our PSUs granted under the PSU Plans; and (d) 562,394 common shares that we may elect to issue upon settlement of our RSUs granted under the RSU Plans.

## Exchange Controls

Canada has no system of exchange controls. There are no Canadian restrictions on the repatriation of capital or earnings of a Canadian public company to non-resident investors. There are no laws in Canada or exchange restrictions affecting the remittance of dividends, profits, interest, royalties and other payments to U.S. Resident Holders (as defined below) of our common shares, except as discussed in “Certain Canadian Federal Income Tax Considerations for U.S. Residents” below.

There are no limitations under the laws of Canada or in our organizational documents on the right of foreigners to hold or vote our common shares, except that the *Investment Canada Act* may require review and approval by the Minister of Industry (Canada) of certain acquisitions of control of Ritchie Bros. by a “non-Canadian”. “Non-Canadian” generally means an individual who is not a Canadian citizen, or a corporation, partnership, trust or joint venture that is ultimately controlled by non-Canadians.

## Certain Canadian Federal Income Tax Considerations for U.S. Residents

The following summarizes certain Canadian federal income tax consequences generally applicable under the Income Tax Act (Canada) and the regulations enacted thereunder (collectively, the “Canadian Tax Act”) and the Canada-U.S. Income Tax Convention (1980) (the “Convention”) to the holding and disposition of common shares.

This summary is restricted to holders of common shares each of whom, at all material times for the purposes of the Canadian Tax Act and the Convention, (i) is resident solely in the U.S., (ii) is entitled to the full benefits of the Convention, (iii) holds all common shares as capital property, (iii) holds no common shares that are “taxable Canadian property” (within the meaning of the Canadian Tax Act) of the holder, (iv) deals at arm’s length with and is not affiliated with Ritchie Bros., (v) does not and is not deemed to use or hold any common shares in a business carried on in Canada, and (vi) is not an “authorized foreign bank” (as defined in the Canadian Tax Act) or an insurer that carries on business in Canada and elsewhere (each such holder, a “U.S. Resident Holder”).

Certain U.S.-resident entities that are fiscally transparent for U.S. federal income tax purposes (including limited liability companies) may not be regarded by the Canada Revenue Agency (“CRA”) as entitled to the benefits of the Convention. Members of or holders of an interest in such an entity that holds common shares should consult their own tax advisers regarding the extent, if any, to which the CRA will extend the benefits of the Convention to the entity in respect of its common shares.

Generally, a U.S. Resident Holder’s common shares will be considered to be capital property of a U.S. Resident Holder provided that the U.S. Resident Holder acquired the common shares as a long-term investment; is not a trader or dealer in securities; did not acquire, hold or dispose of the common shares in one or more transactions considered to be an adventure or concern in the nature of trade; and does not hold the common shares as inventory in the course of carrying on a business.

This summary is based on the provisions of the Canadian Tax Act and the Convention in effect on the date hereof, all specific proposals to amend the Canadian Tax Act and Convention publicly announced by or on behalf of the Minister of Finance (Canada) on or before the date hereof (the “Tax Proposals”), and the current published administrative and assessing policies of the CRA. It is assumed that the Tax Proposals will be enacted as currently proposed, and that there will be no other material change to any applicable law or administrative or assessing practice, whether by judicial, legislative, governmental or administrative decision or action, although no assurance can be given in these respects. Except as otherwise expressly provided, this summary does not take into account any provincial, territorial or foreign tax considerations, which may differ materially from those set out herein.

This summary is of a general nature only and it is not intended to be, nor should it be construed to be, legal or tax advice to any holder of common shares, and no representation with respect to Canadian federal income tax consequences to any holder of common shares is made herein. Accordingly, holders of common shares should consult their own tax advisers with respect to their individual circumstances.

### **Disposition of common shares**

A U.S. Resident Holder will not be subject to tax under the Canadian Tax Act in respect of any capital gain realized by such U.S. Resident Holder on a disposition of common shares unless the common shares constitute “taxable Canadian property” (within the meaning of the Canadian Tax Act) of the U.S. Resident Holder at the time of disposition and the U.S. Resident Holder is not entitled under the Convention to an exemption from Canadian tax on the gain.

Generally, a U.S. Resident Holder’s common shares will not constitute “taxable Canadian property” of the U.S. Resident Holder at a particular time at which the common shares are listed on a “designated stock exchange” (which currently includes the TSX and NYSE) unless at any time during the 60-month period immediately preceding a disposition both of the following conditions are true:

- (i) the U.S. Resident Holder, any one or more persons with whom the U.S. Resident Holder does not deal at arm’s length, or any partnership in which the holder or persons with whom the holder did not deal at arm’s length holds a membership interest directly or indirectly through one or more partnerships, alone or in any combination, owned 25% or more of the issued shares of any class or series of our share capital; and
- (ii) more than 50% of the fair market value of the common shares was derived directly or indirectly from, or from any combination of, real or immovable property situated in Canada, “Canadian resource properties” (as defined in the Canadian Tax Act), “timber resource properties” (as defined in the Canadian Tax Act), or options in respect of, interests in or civil law rights in, such properties, whether or not such properties exist.

In certain circumstances set out in the Canadian Tax Act, a common share may be deemed to be “taxable Canadian property” for purposes of the Canadian Tax Act.

Even if the common shares constitute “taxable Canadian property” to a U.S. Resident Holder, under the Convention, such a U.S. Resident Holder will not be subject to tax under the Canadian Tax Act on any capital gain realized by such holder on a disposition of such common shares, provided the value of such common shares is not derived principally from real property situated in Canada (within the meaning of the Convention).

*U.S. Resident Holders whose shares may be taxable Canadian property should consult their own tax advisors*

### **Dividends on common shares**

Under the Canadian Tax Act, dividends on shares paid or credited, or deemed to be paid or credited, to a non-resident of Canada (or amounts paid or credited on account, or in lieu of payment of, or in satisfaction of, dividends) will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividends (subject to reduction under the provisions of any applicable tax treaty). Under the Convention, a U.S. Resident Holder that beneficially owns the dividends will generally be subject to Canadian withholding tax at the rate of 15% of the gross amount of such dividends unless the beneficial owner is a company which owns (or is deemed under the Convention to own) at least 10% of the voting shares of Ritchie Bros. at that time, in which case the rate of Canadian withholding tax is generally reduced to 5%.

### **Share Repurchase Program**

On May 9, 2019, we announced a share repurchase program for the repurchase of up to \$100 million worth of our common shares, approved by the Toronto Stock Exchange (“TSX”), over a period of 12 months, ending May 8, 2020. For additional information on our share repurchases, please see Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Outstanding Share Data—Share Repurchase Program,” the contents of which are incorporated by reference into this Item 5.



## ITEM 6: SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial data as of and for the years ended December 31, 2015 through December 31, 2019. The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”).

Effective January 1, 2018, we adopted ASU 2014-09 Revenue from Contracts with Customers (“Topic 606”) using the full retrospective method. The primary impact of the adoption of Topic 606 is the change in the presentation of revenue earned from inventory sales and ancillary and logistical services. These revenues are presented gross of the related expenses rather than net. All prior period revenue figures below have been restated to reflect the adoption of Topic 606.

Effective January 1, 2019, we adopted ASU 2016-02 Leases (“Topic 842”) using the “optional transition method”, which allows us to adopt this new lease standard at the adoption date. The comparative periods presented below are reported pursuant to Topic 840.

The following selected consolidated financial information should be read in conjunction with “Part II, Item 7: Management’s Discussion and Analysis of Financial Conditions and Results of Operations” and the consolidated financial statements and the notes thereto included in “Part II, Item 8: Financial Statements and Supplementary Data” presented elsewhere in this Annual Report on Form 10-K.

(in U.S.\$000's, except per share amounts)	Year ended and as at December 31,				
	2019	2018	2017	2016	2015
<b>Consolidated Income Statements Data</b>					
Service revenue	\$ 804,024	\$ 749,515	\$ 624,417	\$ 555,843	\$ 524,672
Inventory sales revenue	514,617	420,511	346,774	571,134	555,827
Total revenue	\$ 1,318,641	\$ 1,170,026	\$ 971,191	\$ 1,126,977	\$ 1,080,499
Operating income	223,202	185,189	107,454	135,722	174,840
Income before income taxes	190,763	152,512	77,394	130,494	176,436
Net income attributable to stockholders	149,140	121,479	75,027	91,832	136,214
Earnings per share attributable to stockholders:					
Basic	\$ 1.37	\$ 1.12	\$ 0.70	\$ 0.86	\$ 1.27
Diluted	1.36	1.11	0.69	0.85	1.27
<b>Consolidated Balance Sheets Data</b>					
Working capital	\$ 178,326	\$ 163,446	\$ 120,032	\$ 125,164	\$ 140,133
Total assets	2,229,430	2,052,392	2,017,312	1,599,533	1,120,115
Long-term debt	645,481	711,298	812,892	595,706	97,915
Contingently redeemable non-controlling interests	—	—	—	—	24,785
Stockholders' equity	901,833	830,643	739,682	687,057	703,176
<b>Consolidated Statements of Cash Flows Data</b>					
Dividends declared per common share	\$ 0.76	\$ 0.70	\$ 0.68	\$ 0.66	\$ 0.60
Acquisition of subsidiaries, net of cash acquired	\$ —	\$ —	\$ 675,851	\$ 45,511	\$ 12,107
Net capital spending	35,075	32,426	34,411	29,785	14,152

- (1) Subsidiaries acquired as disclosed in the table above consist of IronPlanet in May 2017, Kramer in November 2016, Petrowsky in August 2016, Mascus in February 2016, and Xcira in November 2015.

## **ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **About Us**

Established in 1958, Ritchie Bros. (NYSE and TSX: RBA) is a global asset management and disposition company, offering customers end-to-end solutions for buying and selling used heavy equipment, trucks and other assets. Operating in a number of sectors, including construction, transportation, agriculture, energy, oil and gas, mining, and forestry, the company's selling channels include: Ritchie Bros. Auctioneers, the world's largest industrial auctioneer offers live auction events with online bidding; IronPlanet, an online marketplace with featured weekly auctions and providing the exclusive IronClad Assurance® equipment condition certification; Marketplace-E, a controlled marketplace offering multiple price and timing options; Mascus, a leading European online equipment listing service; and Ritchie Bros. Private Treaty, offering privately negotiated sales. The company's suite of multichannel sales solutions also includes RB Asset Solutions, a complete end-to-end asset management and disposition system. Ritchie Bros. also offers sector-specific solutions including GovPlanet, TruckPlanet, and Kruse Energy Auctioneers, plus equipment financing and leasing through Ritchie Bros. Financial Services.

Through our unreserved live on site auctions, online marketplaces, and private brokerage services, we sell a broad range of used and unused equipment, including earthmoving equipment, truck trailers, government surplus, oil and gas equipment and other industrial assets. Construction and heavy machinery comprise the majority of the equipment sold through our multiple brand solutions. Customers selling equipment through our sales channels include end-users (such as construction companies), equipment dealers, original equipment manufacturers, and other equipment owners (such as rental companies and government bodies). Our customers participate in a variety of sectors, including heavy construction, transportation, agriculture, energy, and mining.

### **Overview**

This section of the Form 10-K generally discusses 2019 and 2018 items and year-to-year comparisons between 2019 and 2018. Discussions of 2017 items and year-to-year comparisons between 2018 and 2017 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018. This discussion and analysis should be read in conjunction with the "Cautionary Note Regarding Forward-Looking Statements", "Part II, Item 6: Selected Financial Data", and the consolidated financial statements and the notes thereto included in "Part II, Item 8: Financial Statements and Supplementary Data" presented in this Annual Report on Form 10-K. This discussion and analysis contains forward-looking statements that involve risks and uncertainties.

Our actual results could differ materially from those expressed or implied in any forward-looking statements due to various factors, including those set forth under "Part I, Item 1A: Risk Factors" in this Annual Report on Form 10-K. The date of this discussion is as of February 27, 2020.

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

In the accompanying analysis of financial information, we sometimes use information derived from consolidated financial data but not presented in our financial statements prepared in accordance with US GAAP. Certain of these data are considered "non-GAAP financial measures" under the SEC rules. The definitions and reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable US GAAP financial measures are included either with the first use thereof or in the Non-GAAP Measures section within the MD&A. Non-GAAP financial measures referred to in this report are labeled as "non-GAAP measure" or designated as such with an asterisk (\*).

## Performance Overview

Net income attributable to stockholders increased 23% to \$149.0 million compared to \$121.5 million in 2018. Diluted earnings per share (“EPS”) attributable to stockholders increased 23% to \$1.36 from \$1.11 per share, while diluted adjusted EPS attributable to stockholders\* increased 23% to \$1.33 from \$1.08 per share in 2018.

### Consolidated results:

- Total revenue increased 13% to \$1.3 billion as compared to 2018
  - Service revenue increased 7% to \$804.0 million as compared to 2018
  - Inventory sales revenue increased 22% to \$514.6 million as compared to 2018
- Total selling, general and administrative expenses (“SG&A”) decreased to \$382.4 million compared to \$382.7 million in 2018
- Operating income increased 21% to \$223.2 million as compared to 2018
- Cash provided by operating activities was \$332.8 million for the year ended December 31, 2019

### A&M segment results:

- GTV increased 4% to \$5.1 billion and increased 5% when excluding the impact of foreign exchange as compared to 2018
- A&M total revenue increased 14% to \$1.2 billion as compared to 2018
  - Service revenue increased 8% to \$678.8 million as compared to 2018
  - Inventory sales revenue increased 22% to \$514.6 million as compared to 2018

### Other Services segment results:

- Other Services total revenue increased 1% to \$125.2 million as compared to 2018
- RBFS revenue increased 24% to \$28.8 million as compared to 2018

### Operational highlights

In 2019, our operational focus continued to strengthen our sales execution and drive incremental network effects from our foundational core customer solutions and the IronPlanet acquisition. Under our strategic framework of GROW, DRIVE and OPTIMIZE, shown below are some notable highlights:

### GROW Revenues and Earnings

- Ritchie Bros. conducted 337 auctions in 2019, including 194 live, onsite Ritchie Bros. Auctioneers events and 178 IronPlanet and GovPlanet online events resulting in 43% of live industrial auctions posting year-over-year growth across major geographies including a six-day US\$297+ million Orlando event in February and several other record-breaking auctions.
- Our US region delivered strong growth in 2019 and led the Company with nearly 10% GTV growth for the full year led by double-digit live and online auction growth through improved execution and a moderate improvement in the overall used equipment supply in the U.S.
- Our GTV growth in 2019 was led by our online channel generating 16.5% growth during the year – the highest annual growth rate for the online channel since the acquisition of IronPlanet.
- In the second half of 2019, the Company implemented S.A.G.E. (Sales Activity Generation Engine), an initiative to accelerate new business growth and enhance Territory Manager sales productivity. S.A.G.E. is an activity and behavior focused sales process overlaid with a “data-driven mindset”. While S.A.G.E. is intended as a multi-year program, we made good early progress with our implementation efforts and sales team adoption.
- The Company made meaningful strides with its Government Services business generating strong year over year GTV growth, revenue growth and number of units sold. The Company also made focused investments to implement the U.S. GovPlanet surplus contracts and required supply chain and customer service capabilities.
- **Marketplace-E** - The online marketplace which was launched in early 2018 achieved tremendous success and reached the \$500 million mark in GTV cumulatively since its inception. In 2019, Marketplace-E delivered growth of 47% and continues to prove very popular in International markets where unreserved auctions are less commonplace.

- **RB Asset Solutions** - Acquired over 25 new customers including more than 15 key reference customers. RB Asset Solutions offers a complete end-to-end asset management and disposition system designed to help customers optimize their disposition process. By offering a complete inventory management system, data analytics and dashboards, branded e-commerce sites, and multiple external sales channels, Ritchie Bros. will help customers achieve the best possible returns.
- We generated significant growth in our Ritchie Bros. Financial Services (RBFS) solution. In 2019 RBFS' total funded volume hit \$510.2 million, up 18% from 2018. The strong results at RBFS were also a result of the continued investment in its workforce and ongoing sales team development.

#### **DRIVE Efficiencies and Effectiveness**

- Online bidding continued to gain momentum in 2019, with the percentage of online buyers reaching 65% of winning bids made through an online channel versus 59% in 2018.
- Our cost efficiency focus delivered favorable operating leverage in 2019 with Total Revenue growth of 13% while holding SG&A dollars comparable to 2018.
- The Company launched its new PriorityBid feature, enabling buyers to make proxy bids online for items in its live auctions up to a week before the sale. These PriorityBids put them first in line to win the item, provided no one outbids them. PriorityBid also provides increased insight into demand ahead of the auction, which is extremely valuable information for the Company and our sellers as it allows us to be more nimble in optimizing our marketing efforts right up to the day of the auction -- taking online bidding in our live auctions to the next level.
- We made significant strides in improving our sales effectiveness and the value we offer to our customers by leveraging our technology assets. Specifically, with the application of machine learning and algorithmic pricing capabilities, we were able to provide pricing support and insights to our customers as well as internal efficiencies.
- We continued our project MARS implementation, an internal platform that unifies our live and online auction operations such as bidder registrations, title searches and equipment inspection and taxonomy specs. In 2019, we launched several modules successfully which resulted in meaningful efficiencies at our auction sites as it reduced registration and processing wait times for our attendees.

#### **OPTIMIZE our balance sheet**

- Through strong cash generation, we repaid \$76 million in debt, of which \$63 million was voluntary contributing to our adjusted net debt to adjusted EBITDA ratio of 1.0 times for the year.
- Drove improvements in working capital through higher sell through of inventory in the International region.

## Results of Operations

(in U.S. \$000's, except EPS and percentages)	Year ended December 31,			% Change	
	2019	2018	2017	2019 over 2018	2018 over 2017
<b>Service revenue:</b>					
Commissions	\$ 431,781	\$ 420,160	\$ 394,397	3 %	7 %
Fees	372,243	329,355	230,020	13 %	43 %
Total service revenue	804,024	749,515	624,417	7 %	20 %
Inventory sales revenue	514,617	420,511	346,774	22 %	21 %
Total revenue	1,318,641	1,170,026	971,191	13 %	20 %
Service revenue as a % of total revenue	61.0 %	64.1 %	64.3 %	-310 bps	-20 bps
Inventory sales revenue as a % of total revenue	39.0 %	35.9 %	35.7 %	310 bps	20 bps
Costs of services	164,977	159,058	133,189	4 %	19 %
Cost of inventory sold	480,839	374,339	306,498	28 %	22 %
Selling, general and administrative expenses	382,389	382,676	323,270	0 %	18 %
Operating expenses	1,095,439	984,837	863,737	11 %	14 %
Cost of inventory sold as a % of operating expenses	43.9 %	38.0 %	35.5 %	590 bps	250 bps
Operating income	223,202	185,189	107,454	21 %	72 %
Operating income margin	16.9 %	15.8 %	11.1 %	110 bps	470 bps
Net income attributable to stockholders	149,039	121,479	75,027	23 %	62 %
Adjusted net income attributable to stockholders*	145,649	117,669	87,662	24 %	34 %
Diluted earnings per share attributable to stockholders	\$ 1.36	\$ 1.11	\$ 0.69	23 %	61 %
Diluted adjusted EPS attributable to stockholders*	\$ 1.33	\$ 1.08	\$ 0.81	23 %	33 %
Effective tax rate	21.8 %	20.3 %	2.7 %	150 bps	1760 bps
Total GTV	5,140,587	4,964,165	4,467,982	4 %	11 %
Service revenue as a % of total GTV- Rate	15.6 %	15.1 %	14.0 %	50 bps	110 bps
Inventory sales revenue as a % of total GTV-Mix	10.0 %	8.5 %	7.8 %	150 bps	70 bps

### Total revenue

Total revenue increased 13% to \$1.3 billion as compared to 2018.

Service revenue increased 7%, driven by 3% increase in commissions revenue and a 13% increase in fee revenue. The increase in commissions revenue was in line with higher Service GTV of 2%, with strong performance in our US region, where we experienced volume growth through both our live auctions and weekly featured online businesses. The increase in fee revenue was driven primarily by higher total GTV, full buyer fee harmonization implemented in June 2019, and RBFS fee revenue growth. These were partially offset by lower RB Logistics revenue earned in the International region.

Inventory sales revenue as a percent of total GTV increased to 10.0% as compared to 8.5% in 2018.

Inventory sales revenue increased 22% primarily due to our US region, where we had a greater volume of inventory contracts at our live auctions including a large dispersal of pipeline equipment at the Columbus, Ohio auction in Q2 2019 and increased inventory contracts at our Orlando, Florida auction in Q1 2019. Continued revenue growth in our GovPlanet surplus contract also contributed to the increase in inventory sales revenue. This increase was partially offset by large non-repeating dispersals of oil and gas equipment and agricultural real estate in Canada during 2018.

### Operating income

Operating income increased 21% to \$223.2 million compared to \$185.2 million in 2018. This increase was primarily due to the 13% increase in total revenue. Operating expenses increased 11%, less than the rate of increase in revenue primarily due to strong cost control, a \$4.1 million recovery of share-based payment expense related to the departure of our former Chief Executive Officer (“CEO”), and higher foreign exchange gains.

### Income tax expense and effective tax rate

We recorded an income tax expense of \$41.6 million in 2019 compared to \$31.0 million in 2018. Our effective tax rate was 21.8% compared to 20.3% in 2018. The increase in effective tax rate over the comparative period was primarily the result of a greater proportion of earnings taxed in jurisdictions with higher tax rates.

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

### Net income

Net income attributable to stockholders increased 23% to \$149.0 million compared to \$121.5 million in 2018. The increase was primarily due to higher operating income and lower interest expense, partially offset by higher taxes and a non-recurring gain on sale of equity accounted investment recorded in 2018.

### Diluted EPS

Diluted EPS attributable to stockholders increased 23% to \$1.36 per share compared to \$1.11 in 2018. This increase is primarily due to the increase in net income attributable to stockholders.

### 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	2019	2018	2017	% Change	
				2019 over 2018	2018 over 2017
<b>Period-end exchange rate</b>					
Canadian dollar	0.7656	0.7331	0.7954	4 %	(8)%
Euro	1.1202	1.1469	1.2002	(2)%	(4)%
Australian dollar	<u>0.7002</u>	<u>0.7052</u>	<u>0.7809</u>	(1)%	(10)%
<b>Average exchange rate</b>					
Canadian dollar	0.7537	0.7716	0.7704	(2)%	0 %
Euro	1.1195	1.1804	1.1273	(5)%	5 %
Australian dollar	<u>0.6951</u>	<u>0.7469</u>	<u>0.7664</u>	(7)%	(3)%

In 2019, approximately 42% of our revenues and 44% of our operating expenses were denominated in currencies other than the U.S. dollar, compared to 50% and 53%, respectively, in 2018.

We recognized \$2.9 million in foreign exchange gains in 2019 and \$0.2 million of gains in 2018. Foreign exchange had an unfavourable impact on total revenue and a favourable impact on expenses. These impacts were primarily due to the fluctuations in the Euro and Canadian dollar exchange rates relative to the U.S. dollar.

### Non-GAAP Measures

As part of management's non-GAAP measures, we may eliminate the financial impact of adjusting items which are after-tax effects of significant non-recurring items that we do not consider to be part of our normal operating results, such as acquisition-related costs, management reorganization costs, severance, share-based payment expense recovery due to the departure of our former CEO, retention, gains/losses on sale of an equity accounted for investment, plant and equipment, impairment losses, and certain other items, which we refer to as 'adjusting items'.

Adjusted net income attributable to stockholders\* increased 24%, to \$145.6 million compared to \$117.7 million in 2018.

Diluted adjusted EPS attributable to stockholders\* increased 23% to \$1.33 per share compared to \$1.08 per share in 2018.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")\* increased 15% to \$294.7 million compared to \$257.3 million in 2018.

Debt at December 31, 2019 represented 4.4 times net income for 2019, compared to debt at December 31, 2018, which represented 6.0 times net income for 2018. The decrease in this debt/net income multiplier was primarily due to lower debt balances at December 31, 2019 compared to December 31, 2018, as a result of our voluntary and mandatory debt repayments. The adjusted net debt/adjusted EBITDA\* was 1.0 times at December 31, 2019 compared to 1.9 times at December 31, 2018. The decrease in adjusted net debt/adjusted EBITDA\* was primarily due to lower debt balances at December 31, 2019, as well as a 14% increase in EBITDA compared to the prior year.

## Segment Performance

We provide our customers with a wide array of services. The following table presents a breakdown of our consolidated results between the A&M segment and Other services segment. A complete listing of channels and brand solutions under the A&M segment, as well as our Other services segment, is available under Item 1 of this Annual Report.

(in U.S \$000's)	Year ended December 31, 2019			Year ended December 31, 2018			Year ended December 31, 2017		
	A&M	Other	Consolidated	A&M	Other	Consolidated	A&M	Other	Consolidated
Service revenue	\$ 678,823	\$ 125,201	\$ 804,024	\$ 626,007	\$ 123,508	\$ 749,515	\$ 524,023	\$ 100,394	\$ 624,417
Inventory sales revenue	514,617	—	514,617	420,511	—	420,511	346,774	—	346,774
Total revenue	1,193,440	125,201	1,318,641	1,046,518	123,508	1,170,026	870,797	100,394	971,191
Ancillary and logistical service expenses	—	59,252	59,252	—	66,576	66,576	—	54,176	54,176
Other costs of services	99,821	5,904	105,725	87,430	5,052	92,482	75,685	3,328	79,013
Cost of inventory sold	480,839	—	480,839	374,339	—	374,339	306,498	—	306,498
SG&A expenses	358,016	24,373	382,389	363,549	19,127	382,676	308,873	14,397	323,270
Impairment loss	—	—	—	—	—	—	8,911	—	8,911
Segment profit	254,764	35,672	290,436	221,200	32,753	253,953	170,830	28,493	199,323

## Auctions and Marketplaces segment

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

(in U.S. \$000's, except EPS and percentages)	Year ended December 31,					
				% Change		
	2019	2018	2017	2019 over 2018	2018 over 2017	
Service revenue	\$ 678,823	\$ 626,007	\$ 524,023	8 %	19 %	
Inventory sales revenue	514,617	420,511	346,774	22 %	21 %	
Total revenue	1,193,440	1,046,518	870,797	14 %	20 %	
A&M service revenue as a % of total A&M revenue	56.9 %	59.8 %	60.2 %	-290 bps	-40 bps	
Inventory sales revenue as a % of total A&M revenue	43.1 %	40.2 %	39.8 %	290 bps	40 bps	
Costs of services	99,821	87,430	75,685	14 %	16 %	
Cost of inventory sold	480,839	374,339	306,498	28 %	22 %	
SG&A expenses	358,016	363,549	308,873	(2)%	18 %	
Impairment loss	—	—	8,911	0 %	—	
A&M segment expenses	938,676	825,318	699,967	14 %	18 %	
Cost of inventory sold as a % of A&M expenses	51.2 %	45.4 %	43.8 %	580 bps	160 bps	
A&M segment profit	254,764	221,200	170,830	15 %	29 %	
Total GTV	5,140,587	4,964,165	4,467,982	4 %	11 %	
A&M service revenue as a % of total GTV- Rate	13.2 %	12.6 %	11.7 %	60 bps	90 bps	

## Gross Transaction Value

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

### GTV by Channel

(in U.S. \$000's, except percentages)	Year ended December 31,					
				% Change		
	2019	2018	2017	2019 over 2018	2018 over 2017	
Live on site auctions	\$ 4,175,527	\$ 4,134,838	\$ 3,947,730	1 %	5 %	
Percentage of total	81.2 %	83.3 %	88.4 %	—	—	
Online marketplaces including featured <sup>(1)</sup> and other <sup>(2)</sup>	965,060	829,327	520,252	16 %	59 %	
Percentage of total	18.8 %	16.7 %	11.6 %	—	—	
GTV	\$ 5,140,587	\$ 4,964,165	\$ 4,467,982	4 %	11 %	

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

(2) This includes GTV from Marketplace-E and, before that, EquipmentOne.

GTV increased 4% and increased 5% when excluding the impact of foreign exchange as compared to 2018. The increase in GTV was led by a 16% increase in online marketplaces and 1% growth in live on site auctions. Online marketplaces increased due to US strategic accounts and alliances, as well as GovPlanet. International and Canada online GTV also increased due to growing demand for listings on the Marketplace-E platform.

GTV from live on site auctions increased primarily due to increased volume at our US live on site auctions with growth performance at our year-on-year industrial auctions, including a \$94 million auction in Columbus, Ohio and our largest auction held in Orlando, Florida, coupled with higher number of auctions held during the year. This increase was partially offset by softer performance in the Western Canada region, partly due large non-repeating dispersals of oil and gas equipment and agricultural real estate in Canada during 2018. We also experienced lower demand in the International region particularly during the second half of 2019.

## GTV by Revenue Type

(in U.S. \$000's, except percentages)	Year ended December 31,			% Change	
	2019	2018	2017	2019 over 2018	2018 over 2017
Service GTV	\$ 4,625,970	\$ 4,543,654	\$ 4,121,208	2 %	10 %
Percentage of total	90.0 %	91.5 %	92.2 %		
Inventory GTV	514,617	420,511	346,774	22 %	21 %
Percentage of total	10.0 %	8.5 %	7.8 %		
<b>GTV</b>	<b>\$ 5,140,587</b>	<b>\$ 4,964,165</b>	<b>\$ 4,467,982</b>	<b>4 %</b>	<b>11 %</b>

GTV increased 4% while Inventory GTV increased 22%, and Service GTV increased 2%. The increase in Inventory GTV was primarily driven by a strong volume performance in our US live auctions and continued growth in our GovPlanet surplus contract.

We offer our customers the opportunity to use underwritten commission contracts to serve their disposition strategy needs, entering into such contracts where the risk and reward profile of the terms are agreeable. Our underwritten contracts, which include inventory and guarantee contracts, increased as a percentage of total GTV to 20% compared to 17% in 2018 primarily due to increased GTV signed with inventory contracts.

## Online bidding

Across all channels, 65% of total GTV was purchased by online buyers compared to 59% in 2018. These increases in internet bidders and online buyers demonstrate the continued growth in adoption of multi-channel participation at our auctions.

## Industrial Live On Site Metrics

### Total industrial live on site auction metrics

	For the year ended December 31,			% Change	
	2019	2018	2017	2019 over 2018	2018 over 2017
Number of auctions	194	183	245	6 %	(25)%
Bidder registrations	732,550	555,000	575,500	32 %	(4)%
Consignors	58,850	53,950	56,850	9 %	(5)%
Buyers	153,400	135,250	139,900	13 %	(3)%
<b>Lots</b>	<b>422,800</b>	<b>377,000</b>	<b>382,500</b>	<b>12 %</b>	<b>(1)%</b>

In 2019, we held 11 additional industrial auctions and these additional auctions contributed to the 1% growth in our live on site auctions GTV. The 11 additional industrial auctions added were each of a smaller scale compared to our average auctions.

The total number of industrial lots increased 12% to 422,800 and the total number of lots including agricultural lots increased 10% to 448,050 lots. These increases were partially due to an increase in small value lots sold in the US and Canada.

GTV on a per lot basis generated at our industrial live on site auctions decreased 9% to \$9,400 compared to \$10,300 in 2018, partially due to a higher number of small value lots sold in the US and Canada, and price softening of agricultural equipment.

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

(in U.S. \$000's, except percentages)	For the year ended December 31,			% Change	
	2019	2018	2017	2019 over 2018	2018 over 2017
GTV	\$20.5 million	\$21.2 million	\$15.2 million	(3)%	39 %
Bidder registrations	3,776	3,033	2,348	24 %	29 %
Consignors	303	295	232	3 %	27 %
<b>Lots</b>	<b>2,179</b>	<b>2,060</b>	<b>1,562</b>	<b>6 %</b>	<b>32 %</b>

For the year ended December 31, 2019, we saw a decrease in average GTV per industrial auction compared to the prior year periods.



## Productivity

The majority of our business continues to be generated by our A&M segment operations. Sales Force Productivity within this segment is an operational statistic that we believe provides a gauge of the effectiveness of our Revenue Producers in increasing GTV. Revenue Producers is a term used to describe our revenue-producing sales personnel. This definition is comprised of Regional Sales Managers and Territory Managers.

Our Sales Force Productivity for the year ended December 31, 2019 increased 6% to \$12.3 million per Revenue Producer as compared to \$11.6 million per Revenue Producer in 2018.

## A&M revenue

Total A&M revenue increased 14% to \$1.2 billion compared to \$1.0 billion in 2018.

A&M revenue by geographical region are presented below:

(in U.S. \$000's, except percentages)	Year ended December 31,				
	2019	2018	2017	% Change	
				2019 over 2018	2018 over 2017
<b>United States</b>					
Service revenue	419,164	373,555	298,566	12 %	25 %
Inventory sales revenue	270,616	126,627	110,991	114 %	14 %
A&M revenue- United States	689,780	500,182	409,557	38 %	22 %
<b>Canada</b>					
Service revenue	167,389	160,751	137,150	4 %	17 %
Inventory sales revenue	40,634	88,680	81,740	(54)%	8 %
A&M revenue- Canada	208,023	249,431	218,890	(17)%	14 %
<b>International</b>					
Service revenue	92,270	91,701	88,307	1 %	4 %
Inventory sales revenue	203,367	205,204	154,043	(1)%	33 %
A&M revenue- International	295,637	296,905	242,350	0 %	23 %
<b>Total</b>					
Service revenue	678,823	626,007	524,023	8 %	19 %
Inventory sales revenue	514,617	420,511	346,774	22 %	21 %
A&M total revenue	1,193,440	1,046,518	870,797	14 %	20 %

## United States

Service revenue increased 12% with fee growth from higher total GTV and also due to the full harmonization of buyer fees. Commissions revenue also increased in line with higher GTV on the growth performance on both our online and live auction platforms. Inventory sales revenue increased 114% primarily due to growth in our year-on-year comparative auctions, particularly driven by a higher proportion of inventory contracts at the larger Columbus, Ohio and Florida, Orlando auctions. Continued growth of the GovPlanet surplus contract which started operations in Q2 2018 also contributed to the increase in inventory sales revenue.

## Canada

Service revenue increased 4% primarily due to higher fees from the full harmonization of buyer fees and higher volume of small value lots. Our buyer fees are earned on a per transaction basis, and as such, the higher volume of small value lots is also a contributing factor to the increase in fees revenue. This increase was partially offset by lower commissions earned on lower GTV from softer performance in the Western Canada region. Inventory sales revenue decreased 54% primarily due to large non-repeating dispersals of oil and gas equipment and agricultural real estate during 2018.

## International

Service revenue increased 1% due to the full harmonization of buyer fees offset by lower commissions earned from lower GTV in Asia and Europe. The 1% decrease in Inventory sales revenue was driven by lower demand and tightened supply markets in the European and Asia macroeconomic environment, particularly during the second half of 2019.

## Costs of services

A&M cost of services increased 14% to \$99.8 million primarily due to a one-time fee paid to an unrelated third party in connection with a dispersal of the pipeline equipment at our Columbus, Ohio auction, costs incurred to support our GovPlanet surplus contracts, and overall cost increase in-line with the growth in service GTV.

### **Cost of inventory sold**

A&M cost of inventory sold increased 28% to \$480.8 million, higher than the overall increase in inventory sales volume, as a result of the trailing effect of selling through some lower performing inventory packages acquired within our International region. In addition, rates earned on our GovPlanet surplus contracts have normalized after a full year of operation. There was also discrete lower price performance on certain equipment categories which were in greater supply at our Orlando auction in Q1 2019.

### **SG&A expenses**

A&M segment SG&A expenses decreased 2% to \$358.0 million due to a favourable impact of foreign exchange fluctuations and a \$4.1 million share-based payment expense recovery related to the departure of our former CEO. This was partially offset by on-going incremental costs related to GovPlanet operations and additional headcount to support our growth initiatives.

### **Other Services Segment**

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

(in U.S. \$000's, except percentages)	Year ended December 31,			% Change	
	2019	2018	2017	2019 over 2018	2018 over 2017
Service revenue	\$ 125,201	\$ 123,508	\$ 100,394	1 %	23 %
Ancillary and logistical service expenses	59,252	66,576	54,176	(11)%	23 %
Other costs of services	5,904	5,052	3,328	17 %	52 %
SG&A expenses	24,373	19,127	14,397	27 %	33 %
Other services profit	\$ 35,672	\$ 32,753	\$ 28,493	9 %	15 %

Other Services revenue increased 1% to \$125.2 million primarily due to growth of RBFS revenue of \$5.6 million, offset by lower RB Logistics service revenue due to lower inventory sales in Europe requiring logistics.

RBFS revenue increased 24% in 2019 as compared to 2018 due to growth in funded volume. Funded volume, which represents the amount of lending brokered by RBFS, increased 18% to \$510.2 million.

Other Services profit increased 9% to \$35.7 million primarily due to higher proportion of profit earned from RBFS. The lower revenue from RB Logistics resulted in a similar magnitude of decrease in ancillary and logistical service expenses.

### **Share repurchase program**

On May 9, 2019, we announced a share repurchase program for the repurchase of up to \$100 million worth of our common shares, approved by the Toronto Stock Exchange ("TSX"), over a period of 12 months, ending May 8, 2020.

During the year ended December 31, 2019, we executed the following share repurchases at a total cost of \$42.0 million.

	Issuer purchases of equity securities			
	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced program	(d) Maximum approximate dollar value of shares that may yet be purchased under the program
May 23-31, 2019	387,480	\$ 33.49	387,480	\$ 87.0 million
June 1-21, 2019	836,194	34.71	836,194	58.0 million
	<b>1,223,674</b>	<b>\$ 34.32</b>	<b>1,223,674</b>	<b>\$ 58.0 million</b>

## Liquidity and Capital Resources

Our principal sources of liquidity are our cash provided by operating activities and borrowings from our revolving credit facilities. We believe our existing working capital and availability under our credit facilities are sufficient to satisfy our present operating requirements and contractual obligations (detailed below), as well as to fund future growth, including but not limited to, mergers and acquisitions, development of our A&M, RBFS, and Mascus operating segments, as well as other growth opportunities.

We assess our liquidity based on our ability to generate cash to fund operating, investing, and financing activities. Our liquidity is primarily affected by fluctuations in cash provided by operating activities, payment of dividends, voluntary repayments of term debt, share repurchases, our net capital spending<sup>1</sup>, and significant acquisitions of businesses.

Cash provided by operating activities can fluctuate significantly from period to period due to factors such as differences in the timing, size and number of auctions during the period, the volume of our inventory contracts, the timing of the receipt of auction proceeds from buyers and of the payment of net amounts due to consignors, as well as the location of the auction with respect to restrictions on the use of cash generated therein.

## Cash flows

(in U.S. \$000's, except percentages)	Year ended December 31,				
				% Change	
	2019	2018	2017	2019 over 2018	2018 over 2017
Cash provided by (used in):					
Operating activities	\$ 332,793	\$ 144,280	147,568	131 %	(2)%
Investing activities	(36,057)	(30,953)	(710,954)	16 %	(96)%
Financing activities	(187,218)	(134,107)	119,263	40 %	(212)%
Effect of changes in foreign currency rates	5,171	(4,769)	17,150	208 %	(128)%
Net increase in cash, cash equivalents, and restricted cash	<u>\$ 114,689</u>	<u>\$ (25,549)</u>	<u>(426,973)</u>	<u>549 %</u>	<u>(94)%</u>

Cash provided by operating activities increased \$188.5 million in 2019. This increase was primarily due to a net positive impact from changes in our operating assets and liabilities, which was driven by our reduction in inventory and an increase in the size of auctions that transacted in the US at the end of 2019 compared to the end of 2018. The increase in our net income in 2019 also contributed to the increase in cash provided by operating activities.

Net cash used in investing activities increased \$5.1 million in 2019. This increase was primarily due to net \$10.8 million less proceeds on the sale of assets, with \$6.1 million on the sale of an equity accounted for investment in Q3 2018 and \$4.7 million fewer proceeds on the sale of property, plant and equipment in 2019 compared to 2018. This was partially offset by a \$4.7 million acquisition of Leake Auction Company in Q1 2018, as well as \$3.3 million less cash spent on property, plant and equipment additions in 2019 compared to 2018.

Net cash used in financing activities increased \$53.1 million in 2019. This increase was driven primarily by our \$42.0 million share repurchase in Q2 2019, a \$28.6 million increase in the net repayment of short-term debt in 2019, and a \$6.9 million increase in dividend payments in 2019. The increase was partially offset by \$17.3 million fewer voluntary term debt repayments and a \$12.6 million increase in cash raised from the issuance of share capital related to stock option exercises in 2019. The latter included the exercise of stock options by our former CEO in Q4 2019.

## Dividend information

We declared and paid regular cash dividends of \$0.18 per common share for the quarters ended December 31, 2018 and March 31, 2019. We declared and paid regular cash dividends of \$0.20 per common share for the quarters ended June 30, 2019 and September 30, 2019. We have declared, but not yet paid, a dividend of \$0.20 per common share for the quarter ended December 31, 2019. All dividends we pay are “eligible dividends” for Canadian income tax purposes unless indicated otherwise.

Our dividend payout ratio, which we calculate as dividends paid to stockholders divided by net income attributable to stockholders, decreased to 55.4% in 2019 from 62.3% in 2018. This decrease was primarily due to the increase in net income attributable to stockholders over the comparative period. Our adjusted dividend payout ratio (non-GAAP measure) decreased to 56.7% in 2019 from 64.3% in 2018.

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

### Return on average invested capital

Our return on average invested capital is calculated as net income attributable to stockholders divided by our average invested capital. We calculate average invested capital over a trailing 12-month period by adding the average long-term debt over that period to the average stockholders' equity over that period.

Return on average invested capital increased 170 bps to 9.6% in 2019 from 7.9% in 2018. This increase is primarily due to a \$27.5 million, or 23%, increase in net income attributable to stockholders over the comparative period, combined with the impact of \$62.7 million in voluntary debt repayments on average invested capital during 2019. Return on invested capital ("ROIC") (non-GAAP measure) increased 180 bps to 9.4% in 2019 from 7.6% in 2018.

### Credit facilities

Credit facilities at December 31, 2019 and 2018 were as follows:

(in U.S. \$000's, except percentages)	Year ended December 31,		
	2019	2018	% Change
<i>Committed</i>			
Term loan facility	\$ 155,355	\$ 224,581	-31 %
Revolving credit facilities	500,000	500,000	0 %
Total credit facilities	\$ 655,355	\$ 724,581	-10 %
<i>Unused</i>			
Revolving credit facilities	489,937	467,801	5 %
Total credit facilities unused	\$ 489,937	\$ 467,801	5 %

At December 31, 2019, of the remaining \$500.0 million in committed, revolving credit facilities, \$490.0 million relates to our syndicated credit facility and \$10.0 million relates to credit facilities in certain foreign jurisdictions.

On December 31, 2019, we had \$489.9 million of unused committed revolving credit facilities, which consisted of:

- \$480.5 million under our Credit Agreement that expires on October 27, 2021;
- \$5.0 million under a foreign credit facility that expires on October 27, 2021; and
- \$4.4 million under a foreign demand credit facility that has no maturity date.

Borrowings under our Credit Agreement bear floating rates of interest, which, at our option, are based on either a base rate (or Canadian prime rate for certain Canadian dollar borrowings) or LIBOR (or such floating rate customarily used by the syndicate for currencies other than U.S. dollars). In either case, an applicable margin is added to the rate. The applicable margin ranges from 0.25% to 1.50% for base rate loans, and 1.25% to 2.50% for LIBOR (or the equivalent of such currency) loans, depending on our leverage ratio at the time of borrowing.

As at December 31, 2019, we also had \$10.0 million in credit facilities in certain foreign jurisdictions including a \$5.0 million revolving credit facility expiring on October 27, 2021 and a demand facility that has no maturity date.

### Term loan facility

During 2019, we made voluntary prepayments totalling \$62.7 million on the term loan denominated in U.S. dollars. Prepayments are applied against future scheduled mandatory payments. The amount available pursuant to the term loan facility was only available to finance the Acquisition and is not available for other corporate purposes upon repayment of amounts borrowed under that facility.

### Senior unsecured notes

At December 31, 2019, we had senior unsecured notes (the "Notes") outstanding that 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 Notes were used to finance the Acquisition. The Notes are jointly and severally guaranteed on an unsecured basis, subject to certain exceptions, by each of our subsidiaries that is a borrower or guarantees indebtedness under the Credit Agreement.

## Debt covenants

The Credit Agreement contains certain covenants that could limit the ability of the Company and certain of its subsidiaries to, among other things and subject to certain significant exceptions: (i) incur, assume or guarantee additional indebtedness; (ii) declare or pay dividends or make other distributions with respect to, or purchase or otherwise acquire or retire for value, equity interests; (iii) make loans, advances or other investments; (iv) incur liens; (v) sell or otherwise dispose of assets; and (vi) enter into transactions with affiliates. The Credit Agreement also provides for certain events of default, which, if any of them occurs, would permit or require the principal, premium, if any, interest and any other monetary obligations on all the then outstanding amounts under the Credit Agreement to be declared immediately due and payable.

The Notes were issued pursuant to an indenture, dated December 21, 2016, with U.S. Bank National Association, as trustee (the "Indenture"). The Indenture contains covenants that limit our ability, and the ability of certain of our subsidiaries to, among other things and subject to certain significant exceptions: (i) incur, assume or guarantee additional indebtedness; (ii) declare or pay dividends or make other distributions with respect to, or purchase or otherwise acquire or retire for value, equity interests; (iii) make any principal payment on, or redeem or repurchase, subordinated debt; (iv) make loans, advances or other investments; (v) incur liens; (vi) sell or otherwise dispose of assets; and (vii) enter into transactions with affiliates. The Indenture also provides for certain events of default, which, if any of them occurs, would permit or require the principal, premium, if any, interest and any other monetary obligations on all the then outstanding Notes under the applicable indenture to be declared immediately due and payable.

At inception of the Credit Agreement and the Indenture, all parties anticipated the increase in indebtedness that followed the Acquisition. As such, covenants pertaining to our leverage ratio provide for a six-quarter expansion of debt levels, after which the leverage ratio settles to a moderately higher tier than pre-Acquisition conditions.

We were in compliance with all financial and other covenants applicable to our credit facilities at December 31, 2019.

## Contractual obligations at December 31, 2019

(in U.S. \$000's)	Payments due by period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Long-term debt obligations:					
Principal	\$ 655,356	\$ 18,277	\$ 137,079	\$ —	\$ 500,000
Capital lease obligations	25,522	8,369	12,174	4,905	74
Operating lease obligations	167,397	16,051	25,912	19,499	105,935
Purchase obligations	6,295	6,295	—	—	—
Share unit liabilities	5,130	5,130	—	—	—
Other non-current liabilities	2,963	—	100	20	2,843
Total contractual obligations	<u>\$ 862,663</u>	<u>\$ 54,122</u>	<u>\$ 175,265</u>	<u>\$ 24,424</u>	<u>\$ 608,852</u>

## Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, financial performance, liquidity, capital expenditures or capital resources.

## **Critical Accounting Policies, Judgments, Estimates and Assumptions**

In preparing our consolidated financial statements in conformity with US GAAP, we must make decisions that impact the reported amounts and related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgments based on our understanding and analysis of the relevant circumstances and historical experience. On an ongoing basis, we evaluate these judgments and estimates, including:

- the grant date fair value of equity-classified share units;
- the identification of reporting units and recoverability of goodwill;
- recoverability of long-lived assets; and
- recoverability of deferred income tax assets.

Actual amounts could differ materially from those estimated by us at the time our consolidated financial statements are prepared.

The following discussion of critical accounting policies and estimates is intended to supplement the significant accounting policies presented in the notes to our consolidated financial statements included in “Part II, Item 8: Financial Statements and Supplementary Data” presented in this Annual Report on Form 10-K, which summarize the accounting policies and methods used in the preparation of those consolidated financial statements. The policies and the estimates discussed below are included here because they require more significant judgments and estimates in the preparation and presentation of our consolidated financial statements than other policies and estimates.

### **Valuation of equity-classified share units**

We measure the fair value of equity-classified shares units as of the grant date. We calculate the fair value of stock options on the grant date using the Black-Scholes option pricing model. We calculate the fair value of share units without market conditions on the grant date based on the Company’s share price. We determine the fair value of share units with market conditions using the Monte Carlo simulation model. The fair value of awards expected to vest is expensed over the respective remaining service period, with the corresponding increase to APIC recorded in equity. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate may require determination of the most appropriate inputs to the valuation model, including the expected life of the share units or stock options, volatility and dividend yield, as well as making assumptions about them.

### **Recoverability of goodwill**

We perform impairment tests on goodwill on an annual basis in accordance with US GAAP, or more frequently if events or changes in circumstances indicate that those assets might be impaired. Goodwill is tested for impairment at a reporting unit level, which is at the same level or one level below an operating segment. We determined our reporting units to be at the same level as our operating segments for A&M and Mascus.

On January 1, 2017, we early adopted Accounting Standards Update (“ASU”) 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (“ASU 2017-04”)*, which eliminates Step 2 from the goodwill impairment test. Under ASU 2017-04, we still have the option of performing a qualitative assessment of a reporting unit to first determine whether the quantitative impairment test is necessary. We exercise judgment in performing our qualitative assessment of whether indicators of impairment exist.

When we determine that an annual or interim quantitative impairment test is necessary, we now only perform one step to identify potential impairment, which is to compare the reporting unit’s fair value with its carrying amount, including goodwill. The reporting unit’s fair value is determined using various valuation approaches and techniques that involve assumptions based on what we believe a hypothetical marketplace participant would use in estimating fair value on the measurement date. An impairment loss is recognized as the difference between the reporting unit’s carrying amount and its fair value to the extent the difference does not exceed the total amount of goodwill allocated to the reporting unit.

We measure the fair value of our reporting units using an earnings valuation approach, which employs a discounted cash flow valuation technique. In applying this valuation approach, management is required to make significant estimates and assumptions about the timing and amount of future cash flows, revenue growth rates, and discount rates, which requires a significant amount of judgment. Accordingly, actual results may differ from those used in the goodwill impairment test.

#### A&M reporting unit goodwill

For the year ended December 31, 2019, we performed a qualitative assessment of the A&M reporting unit and we concluded there were no indicators of impairment that existed.

#### Mascus reporting unit goodwill

Goodwill arising from the acquisition of Mascus forms part of the reporting unit on December 31, 2019, and we performed the US GAAP goodwill impairment test. Using the cash flow methodology of the earnings approach, the fair value of the Mascus reporting unit was measured based on the present value of the cash flows that we expect the reporting unit to generate. In determining our future cash flows, we estimated an annual revenue growth rate ranging between 6% to 8% and an operating margin ranging between 36% to 44% from 2020 to 2024. We estimated a discount rate of 12% reflecting the risk premium on this reporting unit, and a terminal growth rate of 3.5% for the period beyond five years. As the fair value of the Mascus reporting unit was greater than its carrying amount, management concluded that Mascus goodwill was not impaired at December 31, 2019.

#### **Recoverability of indefinite-lived intangible assets**

We perform impairment tests on indefinite-lived intangible assets, which includes trade names and trademarks, on an annual basis in accordance with US GAAP, or more frequently if events or changes in circumstances indicate that those assets might be impaired. Indefinite-lived intangible asset impairment testing involves determination of the unit of accounting, which we determined to be at the same level as our operating segments for A&M and Mascus. For the year ended December 31, 2019, we determined that there were no indicators of impairment for the indefinite-lived intangible assets under our A&M and Mascus reporting units.

#### **Accounting for income taxes**

Income taxes are accounted for using the asset and liability method. Deferred income tax assets and liabilities are based on temporary differences (differences between the accounting basis and the tax basis of the assets and liabilities) and non-capital loss, capital loss, and tax credit carry-forwards are measured using the enacted tax rates and laws expected to apply when these differences reverse. Deferred tax benefits, including non-capital loss, capital loss, and tax credits carry-forwards, are recognized to the extent that realization of such benefits is considered more likely than not.

Liabilities for uncertain tax positions are recorded based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. We regularly assess the potential outcomes of examinations by tax authorities in determining the adequacy of our provision for income taxes. We also continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, income taxes payable and deferred taxes in the period in which the facts that give rise to a revision become known.

### Topic 606 Adoption

Effective January 1, 2018, we adopted Topic 606 using the full retrospective method. The primary impact of the adoption of Topic 606 is the change in the presentation of revenue earned from inventory sales and ancillary and logistical services. These revenues are presented gross of the related expenses rather than net. There was no impact on the timing of revenues recognized, amount of operating income or net income, or on the consolidated balance sheet or consolidated statements of cash flows due to the adoption of Topic 606. Prior periods presented have been restated to conform with this new revenue standard.

The following table reconciles revenues as previously reported to total revenues under Topic 606:

(in U.S. \$000's)	Prior to January 1, 2018	New Revenue Standard Adjustments		On and after January 1, 2018
	Revenues as previously reported (a)	Cost of inventory sold <sup>1</sup> (b)	Ancillary and logistical service expenses <sup>2</sup> (c)	Total revenues under the new standard (a)+(b)+(c)=(d)
Quarter ended:				
December 31, 2017	\$ 178,785	\$ 98,895	\$ 14,070	\$ 291,750
September 30, 2017	141,047	72,476	13,878	227,401
June 30, 2017	166,186	71,726	14,701	252,613
March 31, 2017	124,499	63,401	11,527	199,427
Full year 2017	<u>\$ 610,517</u>	<u>\$ 306,498</u>	<u>\$ 54,176</u>	<u>\$ 971,191</u>

The following table reconciles cost of services as previously reported to cost of services under Topic 606:

(in U.S. \$000's)	Prior to January 1, 2018	New Revenue Standard Adjustments		On and after January 1, 2018
	Costs of services (a)		Ancillary and logistical service expenses <sup>2</sup> (b)	Costs of services under the new standard (a) + (b) = (c)
Quarter ended:				
December 31, 2017	\$ 25,026	\$ 14,070	\$ 39,096	
September 30, 2017	19,583	13,878	33,461	
June 30, 2017	21,591	14,701	36,292	
March 31, 2017	12,813	11,527	24,340	
Full year 2017	<u>\$ 79,013</u>	<u>\$ 54,176</u>	<u>\$ 133,189</u>	

- (1) These amounts were historically disclosed under the Consolidated Financial Statement note entitled "Revenue" and are now presented on the face of our consolidated income statements effective January 1, 2018. Second and third quarter of 2017 amounts were restated in the fourth quarter of 2017 to conform with current presentation of certain government contracts.
- (2) Effective January 1, 2018, ancillary and logistical service expenses are now reported within costs of services under the Consolidated Financial Statement note entitled "Operating Expenses".

For further details on Topic 606, refer to the Annual Report on Form 10-K for the years ended December 31, 2017, and December 31, 2018 and the Quarterly Reports on Form 10-Q for the periods ended March 31, 2018, June 30, 2018, and September 30, 2018.

### Topic 842 Adoption

Effective January 1, 2019, we adopted Topic 842, which 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. We utilized the optional transition approach, which permits us to apply the new lease standards at the adoption date.

On adoption of the new standard, we recognized a right-of-use asset relating to operating leases of \$103,897,000 with a corresponding increase in operating lease liability. Offsetting the increase in the ROU asset recognized was the reclassification of a deferred rent liability from other non-current liability to ROU asset of \$5,752,000. There was no impact on retained earnings or cash flows.

The adoption of the standard had no impact on our debt-covenant compliance under our current agreements.

### Recent Accounting Pronouncements

Recent accounting pronouncements that significantly impact our accounting policies or the presentation of our consolidated financial position or performance have been disclosed in the notes to our consolidated financial statements included in "Part II, Item 8: Financial Statements and Supplementary Data" presented elsewhere in this Annual Report on Form 10-K.



## Non-GAAP Measures

We reference various non-GAAP measures throughout this Annual Report on Form 10-K. These measures do not have a standardized meaning and are, therefore, unlikely to be comparable to similar measures presented by other companies. The presentation of this financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation of, or as a substitute for, the financial information prepared and presented in accordance with generally accepted accounting principles. Non-GAAP financial measures referred to in this report are labeled as “non-GAAP measure” or designated as such with an asterisk (\*).

### Adjusted Operating Income\* Reconciliation

Adjusted operating income\* eliminates the financial impact of adjusting items which are significant non-recurring items that we do not consider to be part of our normal operating results, such as acquisition-related costs, management reorganization costs, and certain other items, which we refer to as ‘adjusting items’. We believe that comparing adjusted operating income\* for different financial periods provides useful information about the growth or decline of our operating income for the relevant financial period.

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

(in U.S. \$000's, except percentages)	Year ended December 31,				
	2019	2018	2017	% Change	
				2019 over 2018	2018 over 2017
<b>Operating income</b>	\$ 223,202	\$ 185,189	\$ 107,454	21 %	72 %
Pre-tax adjusting items:					
Share-based payment recovery	(4,078)	—	—	-100 %	0 %
Accelerated vesting of assumed options	—	—	4,752	0 %	-100 %
Acquisition and finance structure advisory	—	—	9,063	0 %	-100 %
Severance and retention	—	1,501	3,613	-100 %	-58 %
Impairment loss	—	—	8,911	0 %	-100 %
Adjusted operating income*	<u>\$ 219,124</u>	<u>\$ 186,690</u>	<u>\$ 133,793</u>	<u>17 %</u>	<u>40 %</u>

- (1) Please refer to page 52 for a summary of adjusting items during the years ended December 31, 2019, 2018, and 2017.
- (2) Adjusted operating income\* represents operating income excluding the effects of adjusting items.

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

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

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

(in U.S. \$000's, except share and per share data, and percentages)	Year ended December 31,			% Change	
	2019	2018	2017	2019 over 2018	2018 over 2017
Net income attributable to stockholders	\$ 149,039	\$ 121,479	\$ 75,027	23 %	62 %
Pre-tax adjusting items:					
Share-based payment recovery	(4,078)	—	—	-100 %	0 %
Accelerated vesting of assumed options	—	—	4,752	0 %	-100 %
Acquisition and finance structure advisory	—	—	9,063	0 %	-100 %
Severance and retention	—	1,501	3,613	-100 %	-58 %
Gain on sale of equity accounted for investment	—	(4,935)	—	100 %	-100 %
Impairment loss	—	—	8,911	0 %	-100 %
Current income tax effect of adjusting items:					
Acquisition and finance structure advisory	—	—	(2,447)	0 %	100 %
Severance and retention	—	(376)	(748)	100 %	-50 %
Deferred income tax effect of adjusting items:					
Share-based payment recovery	688	—	—	100 %	0 %
Impairment loss	—	—	(2,361)	0 %	100 %
Severance and retention	—	—	(368)	0 %	100 %
Current income tax adjusting item:					
Change in uncertain tax provision	—	—	2,290	0 %	-100 %
Deferred tax adjusting item:					
Remeasurement of deferred taxes	—	—	(10,070)	0 %	100 %
Adjusted net income attributable to stockholders*	\$ 145,649	\$ 117,669	\$ 87,662	24 %	34 %
Weighted average number of dilutive shares outstanding	109,759,123	109,388,236	108,113,151	0 %	1 %
Diluted earnings per share attributable to stockholders	\$ 1.36	\$ 1.11	\$ 0.69	23 %	61 %
Diluted adjusted EPS attributable to stockholders*	\$ 1.33	\$ 1.08	\$ 0.81	23 %	33 %

- (1) Please refer to page 52 for a summary of adjusting items during the years ended December 31, 2019, 2018, and 2017.
- (2) Adjusted net income attributable to stockholders\* represents net income attributable to stockholders excluding the effects of adjusting items.
- (3) Diluted adjusted EPS attributable to stockholders\* is calculated by dividing adjusted net income attributable to stockholders\*, net of the effect of dilutive securities, by the weighted average number of dilutive shares outstanding.

### **Operating Free Cash Flow\* (“OFCF”) Reconciliation**

We believe OFCF\*, when compared on a trailing 12-month basis to different financial periods provides an effective measure of the cash generated by our business and provides useful information regarding cash flows remaining for discretionary return to stockholders, mergers and acquisitions, or debt reduction. Our balance sheet scorecard includes OFCF\* as a performance metric. OFCF\* is also an element of the performance criteria for certain annual short-term and long-term incentive awards.

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

(in U.S. \$ millions, except percentages)	Year ended December 31,				
	2019	2018	2017	% Change	
				2019 over 2018	2018 over 2017
Cash provided by operating activities	\$ 332.8	\$ 144.3	\$ 147.6	131 %	-2 %
Property, plant and equipment additions	13.6	16.9	10.8	-20 %	56 %
Intangible asset additions	27.4	26.1	28.6	5 %	-9 %
Proceeds on disposition of property plant and equipment	(5.9)	(10.6)	(5.0)	-44 %	112 %
Net capital spending	\$ 35.1	\$ 32.4	\$ 34.4	8 %	-6 %
OFCF*	\$ 297.7	\$ 111.9	\$ 113.2	166 %	-1 %

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

### **Adjusted EBITDA\***

We believe adjusted EBITDA\* provides useful information about the growth or decline of our net income when compared between different financial periods.

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

(in U.S. \$000's, except percentages)	Year ended December 31,				
	2019	2018	2017	% Change	
				2019 over 2018	2018 over 2017
Net income	\$ 149,140	\$ 121,506	\$ 75,306	23 %	61 %
Add: depreciation and amortization expenses	70,501	66,614	52,694	6 %	26 %
Add: interest expense	41,277	44,527	38,291	-7 %	16 %
Less: interest income	(3,802)	(2,888)	(3,194)	32 %	-10 %
Add: income tax expense	41,623	31,006	2,088	34 %	1,385 %
Pre-tax adjusting items:					
Share-based payment recovery	(4,078)	—	—	-100 %	0 %
Accelerated vesting of assumed options	—	—	4,752	0 %	-100 %
Acquisition and finance structure advisory	—	—	9,063	0 %	-100 %
Severance and retention	—	1,501	3,613	-100 %	-58 %
Gain on sale of equity accounted for investment	—	(4,935)	—	100 %	-100 %
Impairment loss	—	—	8,911	0 %	-100 %
Adjusted EBITDA*	\$ 294,661	\$ 257,331	\$ 191,524	15 %	34 %

(1) Please refer to page 52 for a summary of adjusting items during the years ended December 31, 2019, 2018, and 2017.

(2) Adjusted EBITDA\* is calculated by adding back depreciation and amortization expenses, interest expense, and income tax expense, and subtracting interest income from net income excluding the pre-tax effects of adjusting items.

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

We believe that comparing adjusted net debt/adjusted EBITDA\* on a trailing 12-month basis for different financial periods provides useful information about the performance of our operations as an indicator of the amount of time it would take us to settle both our short and long-term debt. We do not consider this to be a measure of our liquidity, which is our ability to settle only short-term obligations, but rather a measure of how well we fund liquidity. Measures of liquidity are noted under “Liquidity and Capital Resources”.

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

(in U.S. \$millions, except percentages)	Year ended December 31,				
	2019	2018	2017	% Change	
				2019 over 2018	2018 over 2017
Short-term debt	\$ 4.7	\$ 19.9	\$ 7.0	-76 %	184 %
Long-term debt	645.5	711.3	812.9	-9 %	-12 %
Debt	650.2	731.2	819.9	-11 %	-11 %
Less: cash and cash equivalents	(359.7)	(237.7)	(267.9)	51 %	-11 %
Adjusted net debt*	290.5	493.5	552.0	-41 %	-11 %
Net income	\$ 149.1	\$ 121.5	\$ 75.3	23 %	61 %
Add: depreciation and amortization expenses	70.5	66.6	52.7	6 %	26 %
Add: interest expense	41.3	44.5	38.3	-7 %	16 %
Less: interest income	(3.8)	(2.9)	(3.2)	31 %	-9 %
Add: income tax expense	41.6	31.0	2.1	34 %	1,376 %
Pre-tax adjusting items:					
Share-based payment recovery	(4.1)	—	—	-100 %	0 %
Accelerated vesting of assumed options	—	—	4.8	0 %	-100 %
Acquisition and finance structure advisory	—	—	9.1	0 %	-100 %
Severance and retention	—	1.5	3.6	-100 %	-58 %
Gain on sale of equity accounted for investment	—	(4.9)	—	100 %	-100 %
Impairment loss	—	—	8.9	0 %	-100 %
Adjusted EBITDA*	\$ 294.6	\$ 257.3	\$ 191.6	14 %	34 %
Debt/net income	4.4 x	6 x	10.9 x	-43 %	-45 %
Adjusted net debt*/adjusted EBITDA*	1 x	1.9 x	2.9 x	-47 %	-34 %

- (1) Please refer to page 52 for a summary of adjusting items during the years ended December 31, 2019, 2018, and 2017.
- (2) Adjusted EBITDA\* is calculated by adding back depreciation and amortization expenses, interest expense, and income tax expense, and subtracting interest income from net income excluding the pre-tax effects of adjusting items.
- (3) Adjusted net debt\* is calculated by subtracting cash and cash equivalents from short and long-term debt.
- (4) Adjusted net debt\*/adjusted EBITDA\* is calculated by dividing adjusted net debt\* by adjusted EBITDA\*.

### **Adjusted Net Income Attributable to Stockholders\* and Adjusted Dividend Payout Ratio\* Reconciliation**

We believe that adjusted net income attributable to stockholders\* provides useful information about the growth or decline of our net income attributable to stockholders for the relevant financial period and eliminates the financial impact of adjusting items we do not consider to be part of our normal operating results. We believe that disclosing our adjusted dividend payout ratio\* for different financial periods provides useful information about how well our net income supports our dividend payments.

The following table reconciles adjusted net income attributable to stockholders\* and adjusted dividend payout ratio\* to net income attributable to stockholders, and dividend payout ratio, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements:

(in U.S. \$millions, except percentages)	Year ended December 31,				
	2019	2018	2017	% Change	
				2019 over 2018	2018 over 2017
Dividends paid to stockholders	\$ 82.5	\$ 75.7	\$ 72.8	9 %	4 %
Net income attributable to stockholders	\$ 149.0	\$ 121.5	\$ 75.0	23 %	62 %
Pre-tax adjusting items:					
Share-based payment recovery	(4.1)	—	—	-100 %	0 %
Accelerated vesting of assumed options	—	—	4.8	0 %	-100 %
Acquisition and finance structure advisory	—	—	9.1	0 %	-100 %
Severance and retention	—	1.5	3.6	-100 %	-58 %
Impairment loss	—	—	8.9	0 %	-100 %
Gain on sale of equity accounted for investment	—	(4.9)	—	100 %	-100 %
Current income tax effect of adjusting items:					
Acquisition and finance structure advisory	—	—	(2.4)	0 %	100 %
Severance and retention	—	(0.4)	(0.7)	100 %	-43 %
Deferred income tax effect of adjusting items:					
Share-based payment recovery	0.7	—	—	100 %	0 %
Severance and retention	—	—	(0.4)	0 %	100 %
Impairment loss	—	—	(2.4)	0 %	100 %
Current income tax adjusting item:					
Change in uncertain tax provision	—	—	2.3	0 %	-100 %
Deferred tax adjusting item:					
Remeasurement of deferred taxes	—	—	(10.1)	0 %	100 %
Adjusted net income attributable to stockholders*	\$ 145.6	\$ 117.7	\$ 87.7	24 %	34 %
Dividend payout ratio	55.4 %	62.3 %	97.1 %	-690 bps	-3480 bps
Adjusted dividend payout ratio*	56.7 %	64.3 %	83.0 %	-760 bps	-1870 bps

- (1) Please refer to page 52 for a summary of adjusting items for the years ended December 31, 2019, 2018, and 2017.
- (2) Adjusted net income attributable to stockholders\* represents net income attributable to stockholders excluding the effects of adjusting items.
- (3) Adjusted dividend payout ratio\* is calculated by dividing dividends paid to stockholders by adjusted net income attributable to stockholders\*.

### **Adjusted Net Income Attributable to Stockholders\* and ROIC\* Reconciliation**

We believe that comparing ROIC on a trailing 12-month basis for different financial periods, provides useful information about the after-tax return generated by our investments.

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

(in U.S. \$millions, except percentages)	Year ended December 31,			% Change	
	2019	2018	2017	2019 over 2018	2018 over 2017
Net income attributable to stockholders	\$ 149.0	\$ 121.5	\$ 75.0	23 %	62 %
Pre-tax adjusting items:					
Share-based payment recovery	(4.1)	—	—	-100 %	0 %
Accelerated vesting of assumed options	—	—	4.8	0 %	-100 %
Acquisition and finance structure advisory	—	—	9.1	0 %	-100 %
Severance and retention	—	1.5	3.6	-100 %	-58 %
Impairment loss	—	—	8.9	0 %	-100 %
Gain on sale of equity accounted for investment	—	(4.9)	—	100 %	-100 %
Current income tax effect of adjusting items:					
Acquisition and finance structure advisory	—	—	(2.4)	0 %	100 %
Severance and retention	—	(0.4)	(0.7)	100 %	-43 %
Deferred income tax effect of adjusting items:					
Share-based payment recovery	0.7	—	—	100 %	0 %
Severance and retention	—	—	(0.4)	0 %	100 %
Impairment loss	—	—	(2.4)	0 %	100 %
Current income tax adjusting item:					
Change in uncertain tax provision	—	—	2.3	0 %	-100 %
Deferred tax adjusting item:					
Remeasurement of deferred taxes	—	—	(10.1)	0 %	100 %
Adjusted net income attributable to stockholders*	\$ 145.6	\$ 117.7	\$ 87.7	24 %	34 %
Opening long-term debt	\$ 711.3	\$ 812.9	\$ 595.7	-12 %	36 %
Ending long-term debt	645.5	711.3	812.9	-9 %	-12 %
Average long-term debt	678.4	762.1	704.3	-11 %	8 %
Opening stockholders' equity	\$ 830.6	\$ 739.7	\$ 687.1	12 %	8 %
Ending stockholders' equity	901.8	830.6	739.7	9 %	12 %
Average stockholders' equity	866.2	785.2	713.4	10 %	10 %
Average invested capital	\$ 1,544.7	\$ 1,547.3	\$ 1,417.7	0 %	9 %
Return on average invested capital	9.6 %	7.9 %	5.3 %	170 bps	260 bps
ROIC*	9.4 %	7.6 %	6.2 %	180 bps	140 bps

- (1) Please refer to page 52 for a summary of adjusting items for the years ended December 31, 2019, 2018, and 2017.
- (2) Return on average invested capital is calculated as net income attributable to stockholders divided by average invested capital. We calculate average invested capital as the average long-term debt and average stockholders' equity over a trailing 12-month period.
- (3) ROIC\* is calculated as adjusted net income attributable to stockholders\* divided by average invested capital.
- (4) The adoption of Leases (Topic 842) requires lessees to recognize almost all leases, including operating leases, on the balance sheet through a right-of-use asset and a corresponding lease liability. The lease liability is not included in the calculation of debt.

### **Adjusting items for the year ended December 31, 2019:**

#### Recognized in the fourth quarter of 2019

- \$4.1 million (\$3.4 million after tax, or \$0.03 per diluted share) in share-based payment expense recovery related to the departure of our former CEO.

#### Recognized in the third quarter of 2019

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

#### Recognized in the second quarter of 2019

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

#### Recognized in the first quarter of 2019

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

### **Adjusting items for the year ended December 31, 2018:**

#### Recognized in the fourth quarter of 2018

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

#### Recognized in the third quarter of 2018

- \$1.5 million (\$1.1 million after tax, or \$0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the IronPlanet acquisition;
- \$4.9 million (\$4.9 million after tax, or \$0.04 per diluted share) due to gain on sale of an equity accounted for investment.

#### Recognized in the second quarter of 2018

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

#### Recognized in the first quarter of 2018

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

### **Adjusting items for the year ended December 31, 2017:**

#### Recognized in the fourth quarter of 2017

- \$2.2 million (\$1.6 million after tax, or \$0.02 per diluted share) of severance and retention costs in a corporate reorganization that followed the IronPlanet acquisition;
- \$10.1 million (or \$0.10 per diluted share) benefit on remeasurement of deferred taxes due to the Tax Cuts and Jobs Act.

#### Recognized in the third quarter of 2017

- There were no adjustment items recognized in the second quarter of 2017.

#### Recognized in the second quarter of 2017

- \$8.9 million (\$6.6 million after tax, or \$0.06 per diluted share) impairment loss recognized on various technology assets.
- \$4.8 million (\$4.8 million after tax, or \$0.04 per diluted share) of stock option compensation expense related to the accelerated vesting of certain IronPlanet stock options assumed as part of the Acquisition;
- \$9.1 million (\$6.6 million after tax, or \$0.06 per diluted share) of acquisition and finance structure advisory costs;
- \$1.4 million (\$0.9 million after tax, or \$0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Acquisition;

#### Recognized in the first quarter of 2017

- \$2.3 million (\$2.3 million after tax, or \$0.02 per diluted share) charge related to the change in uncertain tax provisions.

## **ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Foreign Currency Exchange Rate Risk**

We conduct operations in local currencies in countries around the world, but we use the U.S. dollar as our presentation currency. As a result, we are exposed to currency fluctuations and exchange rate risk. We cannot accurately predict the future effects of foreign currency fluctuations on our financial condition or results of operations, or quantify their effects on the macroeconomic environment. The proportion of revenues denominated in currencies other than the U.S. dollar in a given period will differ from the annual proportion for the year ended December 31, 2019, which was 42%, depending on the size and location of auctions held during the period. On an annual basis, we expect fluctuations in revenues and operating expenses to largely offset and generally act as a natural hedge against exposure to fluctuations in the value of the U.S. dollar.

During 2019, we recorded a net decrease in our foreign currency translation adjustment balance of \$2.9 million, compared to a net decrease of \$13.8 million in 2018 and a net increase of \$24.6 million in 2017. Our foreign currency translation adjustment arises from the translation of our net assets denominated in currencies other than the U.S. dollar to the U.S. dollar for reporting purposes. Based on our exposures to foreign currency transactions as at December 31, 2019, and assuming all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar and Euro against the U.S. dollar would result in an increase/decrease of approximately \$28.4 million in our consolidated comprehensive income, of which \$26.8 million relates to our foreign currency translation adjustment and \$1.6 million to our net income.

### **Interest Rate Risk**

Loans under our syndicated and foreign credit facilities, bear interest, at our option, at a rate equal to either a base rate (or Canadian prime rate for certain Canadian dollar borrowings) or LIBOR (or such floating rate customarily used by the syndicate for currencies other than U.S. dollars). In either case, an applicable margin is added to the rate. As at December 31, 2019, we had a total of \$159.3 million in loans (short-term facilities drawn and term loans) bearing floating rates of interest, as compared to \$242.1 million at December 31, 2018. Based on the amount owing as at December 31, 2019, and assuming all other variables remain constant, a change in the interest rate by 100 bps would result in an increase/decrease of approximately \$1.6 million in the pre-tax interest we accrue per annum.

Our exposure to interest rate risk decreased at December 31, 2019 compared to December 31, 2018, primarily due to the repayment of \$76.3 million of term loans during 2019. The Notes of US \$500.0 million, which represent 76% of our long-term debt, bear interest at a fixed rate of 5.375% per annum. The proportion of fixed-to-floating interest rates is expected to increase as we make the required principal repayments on our term loans and execute on our debt management strategies. We continue to monitor our exposure to interest rate risk, and while we have not adopted a long-term hedging strategy to protect against interest rate fluctuations associated with our variable rate debt, we may consider hedging specific borrowings if we deem it appropriate in the future.

### **Inflation**

Although we cannot accurately anticipate the future effect of inflation on our financial condition or results of operations, inflation historically has not had a material impact on our operations.



## **ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The following financial statements and supplementary data should be read in conjunction with “Part II, Item 6: Selected Financial Data” of this Annual Report on Form 10-K.

### **Report of Independent Registered Public Accounting Firm**

#### **To the Shareholders and the Board of Directors of Ritchie Bros. Auctioneers Incorporated**

##### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of Ritchie Bros. Auctioneers Incorporated (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with US generally accepted accounting principles.

##### **Adoption of New Accounting Standard**

As discussed in Note 2(y) to the consolidated financial statements, the Company changed its method for accounting for leases in 2019.

##### **Report on Internal Control over Financial Reporting**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2019, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 27, 2020 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

##### **Basis for Opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

##### **Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### ***Valuation and existence of surplus government inventory***

*Description of the Matter* At December 31, 2019 the Company's inventory balance is \$65 million. As explained in Note 2(m) to the consolidated financial statements, inventory is valued at the lower of cost and net realizable value. Charges for inventory shrinkage, as well as for inventory written down to expected market price, are included in costs of goods sold in the period in which they have been determined to occur. The Company's inventory balance includes non-rolling stock inventory the Company has purchased for resale as part of its commitment to purchase certain surplus government property under the non-rolling stock surplus contract described in Note 26 to the consolidated financial statements.

Auditing the valuation and existence of the government surplus inventory involved significant auditor judgement, as the large volume of units of surplus government property acquired under the non-rolling stock program requires the Company to make an estimate of inventory shrinkage that is based on newly implemented processes for determining on-hand inventory quantities for this type of inventory. Auditing inventory quantities involved especially challenging auditor judgement due to the nature and extent of audit effort required to address the unpredictability in the timing of receipt of inventory under the related contract as well as the uniqueness of the inventory. Further, the Company's estimate of net realizable value can fluctuate based on factors such as future demand and supply and forecasted profit margin, which are subject to estimation uncertainty due to the Company having limited history of purchasing and selling government surplus inventory.

#### *How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of internal controls over the Company's process to determine the valuation and existence of the government surplus inventory. This included controls over the Company's review of the significant assumptions and data underlying the estimates for inventory shrinkage and net realizable value as well as the Company's inventory counts and reconciliation controls to verify existence of inventory.

We performed substantive audit procedures to address existence of inventory and inventory shrinkage that included, among others, observing and evaluating management's inventory count procedures and performing inventory test counts and tracing our test count results to the Company's inventory compilation and testing a sample of the shipping and receiving activity from the inventory count date to December 31, 2019.

We also performed substantive audit procedures to address the estimate of net realizable value that included, among others, evaluating management's analysis including the retrospective review of historical gross margins, testing the accuracy and completeness of the underlying data used in this analysis, and testing subsequent sales of inventory items on-hand at year end to evaluate the completeness of the estimate.

### ***Valuation of Goodwill related to the Mascus reporting unit***

*Description of the Matter* At December 31, 2019, the Company's goodwill related to Mascus was \$20 million. As discussed in Note 2(r) to the consolidated financial statements, goodwill is tested for impairment at least annually at the reporting unit level. The Company's goodwill is further described in note 4 to the consolidated financial statements.

Auditing management's annual goodwill impairment test related to the Mascus reporting unit involved subjective auditor judgment due to the significant estimation uncertainty in determining the fair value of the reporting unit. The fair value estimate was made using a discounted cash flow model. Significant judgment was required in assessing the assumptions used, in particular projected revenue growth rates, the terminal growth rate and projected earnings before interest, taxes, depreciation and amortization (EBITDA) margins and the discount rate.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment review, including controls over management's review of the significant assumptions described above.

Our substantive procedures to test the Company's estimated fair value of the Mascus reporting unit, included, among others, assessing methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We assessed the projected revenue growth rates, terminal growth rates and EBITDA margins used by management by comparing them to current economic and industry trends. We assessed the historical accuracy of the Company's projections for revenue growth rates and EBITDA margins by comparing them to actual operating results. We performed sensitivity analysis of significant assumptions discussed above to evaluate the potential changes in the fair value of the reporting unit that would result from changes in the assumptions. We also involved our valuation specialists to assist in the review of the valuation methodology as well as the appropriateness of the discount rates used.

/s/Ernst & Young LLP

Chartered Professional Accountants

We have served as the Company's auditor since 2013.

Vancouver, Canada

February 27, 2020

## Consolidated Income Statements

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

Year ended December 31,	2019	2018	2017
Revenue:			
Service revenue	\$ 804,024	\$ 749,515	\$ 624,417
Inventory sales revenue	514,617	420,511	346,774
Total revenue	<u>1,318,641</u>	<u>1,170,026</u>	<u>971,191</u>
Operating expenses:			
Costs of services	164,977	159,058	133,189
Cost of inventory sold	480,839	374,339	306,498
Selling, general and administrative expenses	382,389	382,676	323,270
Acquisition-related costs	777	5,093	38,272
Depreciation and amortization expenses	70,501	66,614	52,694
Gain on disposition of property, plant and equipment	(1,107)	(2,731)	(1,656)
Impairment loss	—	—	8,911
Foreign exchange (gain) loss	(2,937)	(212)	2,559
Total operating expenses	<u>1,095,439</u>	<u>984,837</u>	<u>863,737</u>
Operating income	<u>223,202</u>	<u>185,189</u>	<u>107,454</u>
Interest expense	(41,277)	(44,527)	(38,291)
Other income, net	8,838	11,850	8,231
Income before income taxes	<u>190,763</u>	<u>152,512</u>	<u>77,394</u>
Income tax expense (recovery):			
Current income tax	32,797	24,767	19,356
Deferred income tax	8,826	6,239	(17,268)
	<u>41,623</u>	<u>31,006</u>	<u>2,088</u>
Net income	<u>\$ 149,140</u>	<u>\$ 121,506</u>	<u>\$ 75,306</u>
Net income attributable to:			
Stockholders	\$ 149,039	\$ 121,479	\$ 75,027
Non-controlling interests	101	27	279
Net income	<u>\$ 149,140</u>	<u>\$ 121,506</u>	<u>\$ 75,306</u>
Earnings per share attributable to stockholders:			
Basic	\$ 1.37	\$ 1.12	\$ 0.70
Diluted	\$ 1.36	\$ 1.11	\$ 0.69
Weighted average number of shares outstanding:			
Basic	108,519,739	108,063,349	107,044,348
Diluted	<u>109,759,123</u>	<u>109,388,236</u>	<u>108,113,151</u>

See accompanying notes to the consolidated financial statements.

**Consolidated Statements of Comprehensive Income**  
(Expressed in thousands of United States dollars)

Year ended December 31,	2019	2018	2017
Net income	\$ 149,140	\$ 121,506	\$ 75,306
Other comprehensive income (loss), net of income tax:			
Foreign currency translation adjustment	(2,836)	(13,792)	24,670
Total comprehensive income	\$ 146,304	\$ 107,714	\$ 99,976
Total comprehensive income attributable to:			
Stockholders	\$ 146,217	\$ 107,716	\$ 99,639
Non-controlling interests	87	(2)	337
	\$ 146,304	\$ 107,714	\$ 99,976

See accompanying notes to the consolidated financial statements.

## Consolidated Balance Sheets

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

As at December 31,	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 359,671	\$ 237,744
Restricted cash	60,585	67,823
Trade and other receivables	137,402	129,257
Inventory	64,956	113,294
Other current assets	50,160	49,055
Income taxes receivable	6,810	6,365
Total current assets	<u>679,584</u>	<u>603,538</u>
Property, plant and equipment	484,482	486,599
Other non-current assets	145,679	29,395
Intangible assets	233,380	245,622
Goodwill	672,310	671,594
Deferred tax assets	13,995	15,648
Total assets	<u>\$ 2,229,430</u>	<u>\$ 2,052,396</u>
<b>Liabilities and Equity</b>		
Auction proceeds payable	\$ 276,188	\$ 203,503
Trade and other payables	194,279	201,255
Income taxes payable	7,809	2,312
Short-term debt	4,705	19,896
Current portion of long-term debt	18,277	13,126
Total current liabilities	<u>501,258</u>	<u>440,092</u>
Long-term debt	627,204	698,172
Other non-current liabilities	151,238	41,980
Deferred tax liabilities	42,743	35,519
Total liabilities	<u>1,322,443</u>	<u>1,215,763</u>
Commitments		
Contingencies		
Contingently redeemable performance share units	—	923
Stockholders' equity:		
Share capital:		
Common stock; no par value, unlimited shares authorized, issued and outstanding shares: 109,337,781 (December 31, 2018: 108,682,030)	194,771	181,780
Additional paid-in capital	52,110	56,885
Retained earnings	714,051	648,255
Accumulated other comprehensive loss	(59,099)	(56,277)
Stockholders' equity	<u>901,833</u>	<u>830,643</u>
Non-controlling interest	5,154	5,067
Total stockholders' equity	<u>906,987</u>	<u>835,710</u>
Total liabilities and equity	<u>\$ 2,229,430</u>	<u>\$ 2,052,396</u>

See accompanying notes to the consolidated financial statements.

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

	Attributable to stockholders						Non-controlling interest ("NCI")	Total equity	Contingently redeemable performance share units ("PSUs")
	Common stock		Additional paid-in capital ("APIC")	Retained earnings	Accumulated other comprehensive loss				
	Number of shares	Amount							
Balance, December 31, 2016	106,822,001	\$ 125,474	\$ 27,638	\$ 601,071	\$ (67,126)	\$ 4,773	\$ 691,830	\$ 3,950	
Net income	—	—	—	75,027	—	279	75,306	—	
Other comprehensive income	—	—	—	—	24,612	58	24,670	—	
	—	—	—	75,027	24,612	337	99,976	—	
Change in value of contingently redeemable NCI	—	—	—	—	—	—	—	—	
Stock option exercises	444,571	13,017	(3,081)	—	—	—	9,936	—	
Stock option compensation expense	—	—	13,700	—	—	—	13,700	—	
Assumption of stock options on acquisition of IronPlanet	—	—	2,330	—	—	—	2,330	—	
Settlement of equity-classified PSUs	3,211	91	—	—	—	—	91	(172)	
Modification of PSUs	—	—	—	(382)	—	—	(382)	1,803	
Equity-classified share units expense	—	—	340	—	—	—	340	3,189	
Equity-classified share units dividend equivalents	—	—	78	(227)	—	—	(149)	149	
Change in value of contingently redeemable equity-classified PSUs	—	—	—	(95)	—	—	(95)	95	
Cash dividends paid	—	—	—	(72,785)	—	(41)	(72,826)	—	
Balance, December 31, 2017	107,269,783	\$ 138,582	\$ 41,005	\$ 602,609	\$ (42,514)	\$ 5,069	\$ 744,751	\$ 9,014	
Net income	—	—	—	121,479	—	27	121,506	—	
Other comprehensive income	—	—	—	—	(13,763)	(29)	(13,792)	—	
	—	—	—	121,479	(13,763)	(2)	107,714	—	
Stock option exercises	1,235,154	37,308	(8,784)	—	—	—	28,524	—	
Issuance of common stock related to vesting of share units	177,093	5,890	(1,662)	(326)	—	—	3,902	(7,803)	
Stock option compensation expense	—	—	8,252	—	—	—	8,252	—	
Modification of PSUs	—	—	12,365	958	—	—	13,323	(6,622)	
Equity-classified share units expense	—	—	5,384	—	—	—	5,384	5,872	
Equity-classified share units dividend equivalents	—	—	325	(678)	—	—	(353)	353	
Change in fair value of contingently redeemable PSUs	—	—	—	(109)	—	—	(109)	109	
Cash dividends paid	—	—	—	(75,678)	—	—	(75,678)	—	
Balance, December 31, 2018	108,682,030	\$ 181,780	\$ 56,885	\$ 648,255	\$ (56,277)	\$ 5,067	\$ 835,710	\$ 923	
Net income	—	—	—	149,039	—	101	149,140	—	
Other comprehensive loss	—	—	—	—	(2,822)	(14)	(2,836)	—	
	—	—	—	149,039	(2,822)	87	146,304	—	
Stock option exercises	1,672,022	49,117	(8,023)	—	—	—	41,094	—	
Issuance of common stock related to vesting of share units	207,403	5,886	(10,064)	1	—	—	(4,177)	(1,083)	
Stock option compensation expense	—	—	4,697	—	—	—	4,697	—	
Equity-classified share units expense	—	—	7,933	—	—	—	7,933	114	
Equity-classified share units dividend equivalents	—	—	682	(709)	—	—	(27)	46	
Cash dividends paid	—	—	—	(82,535)	—	—	(82,535)	—	
Shares repurchased	(1,223,674)	(42,012)	—	—	—	—	(42,012)	—	
Balance, December 31, 2019	109,337,781	\$ 194,771	\$ 52,110	\$ 714,051	\$ (59,099)	\$ 5,154	\$ 906,987	\$ —	

See accompanying notes to the consolidated financial statements.

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

<b>Year ended December 31,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Cash provided by (used in):			
Operating activities:			
Net income	\$ 149,140	\$ 121,506	\$ 75,306
Adjustments for items not affecting cash:			
Depreciation and amortization expenses	70,501	66,614	52,694
Impairment loss	—	—	8,911
Stock option compensation expense	4,697	8,252	13,700
Equity-classified share units expense	8,047	11,256	3,529
Deferred income tax expense (recovery)	8,826	6,239	(17,268)
Unrealized foreign exchange (gain) loss	(3,058)	951	254
Gain on disposition of property, plant and equipment	(1,107)	(2,731)	(1,656)
Amortization of debt issuance costs	4,086	4,995	3,056
Gain on disposition of equity investment	—	(4,935)	—
Amortization of right-of-use assets	12,280	—	—
Other, net	2,779	(2,317)	(1,237)
Net changes in operating assets and liabilities	76,602	(65,550)	10,279
Net cash provided by operating activities	<u>332,793</u>	<u>144,280</u>	<u>147,568</u>
Investing activities:			
Acquisition of IronPlanet, net of cash acquired	—	—	(675,851)
Property, plant and equipment additions	(13,589)	(16,860)	(10,812)
Intangible asset additions	(27,415)	(26,152)	(28,584)
Proceeds on disposition of property, plant and equipment	5,929	10,586	4,985
Proceeds on disposal of equity investment	—	6,147	—
Other, net	(982)	(4,674)	(692)
Net cash used in investing activities	<u>(36,057)</u>	<u>(30,953)</u>	<u>(710,954)</u>
Financing activities:			
Share repurchase	(42,012)	—	—
Dividends paid to stockholders	(82,535)	(75,678)	(72,785)
Dividends paid to NCI	—	—	(41)
Issuances of share capital	41,094	28,524	9,936
Payment of withholding taxes on issuance of shares	(5,260)	(3,901)	—
Proceeds from short-term debt	13,169	19,715	6,971
Repayment of short-term debt	(28,684)	(6,628)	(24,479)
Proceeds from long-term debt	—	—	325,000
Repayment of long-term debt	(76,282)	(91,013)	(108,985)
Debt issue costs	—	—	(12,624)
Repayment of finance lease obligations	(6,708)	(3,950)	(2,322)
Other, net	—	(1,176)	(1,408)
Net cash provided by (used in) financing activities	<u>(187,218)</u>	<u>(134,107)</u>	<u>119,263</u>
Effect of changes in foreign currency rates on cash, cash equivalents, and restricted cash	<u>5,171</u>	<u>(4,769)</u>	<u>17,150</u>
Increase (decrease)	114,689	(25,549)	(426,973)
Beginning of period	305,567	331,116	758,089
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 420,256</u>	<u>\$ 305,567</u>	<u>\$ 331,116</u>

See accompanying notes to the consolidated financial statements.



## Notes to the Consolidated Financial Statements

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

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### 1. General information

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

### 2. Significant accounting policies

#### (a) Basis of preparation

These financial statements have been prepared in accordance with United States generally accepted accounting principles (“US GAAP”) and the following accounting policies have been consistently applied in the preparation of the consolidated financial statements.

#### (b) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned and non-wholly owned subsidiaries in which the Company has a controlling financial interest either through voting rights or means other than voting rights. All inter-company transactions and balances have been eliminated on consolidation. Where the Company’s ownership interest in a consolidated subsidiary is less than 100%, the non-controlling interests’ share of these non-wholly owned subsidiaries is reported in the Company’s consolidated balance sheets as a separate component of equity or within temporary equity. The non-controlling interests’ share of the net income of these non-wholly owned subsidiaries is reported in the Company’s consolidated income statements as a deduction from the Company’s net earnings to arrive at net income attributable to stockholders of the Company.

Investments in entities that the Company has the ability to exercise significant influence over, but not control, are accounted for using the equity method of accounting. Under the equity method of accounting, investments are stated at initial costs and are adjusted for subsequent additional investments and the Company’s share of earnings or losses and distributions.

The Company consolidates variable interest entities (“VIEs”) if the Company has (a) the power to direct matters that most significantly impact the VIEs economic performance and (b) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. For VIEs where the Company has shared power with unrelated parties, the Company uses the equity method of accounting to report their results. The determination of the primary beneficiary involves judgment.

#### (c) Revenue recognition

Revenues are comprised of:

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

## Notes to the Consolidated Financial Statements

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

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### 2. Significant accounting policies (continued)

#### (c) Revenue recognition (continued)

- Inventory sales revenue as part of A&M activities

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

#### *Service revenues*

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

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

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

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

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

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

## Notes to the Consolidated Financial Statements

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

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### 2. Significant accounting policies (continued)

#### (c) Revenue recognition (continued)

##### *Service revenues (continued)*

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

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

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

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

##### *Inventory sales revenue*

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

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

#### (d) Costs of services

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

## Notes to the Consolidated Financial Statements

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

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### 2. Significant accounting policies (continued)

#### (d) Costs of services (continued)

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

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

#### (e) Cost of inventory sold

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

#### (f) Share-based payments

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

##### *Equity-classified share-based payments*

##### *Share unit plans*

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

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

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

## Notes to the Consolidated Financial Statements

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

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### 2. Significant accounting policies (continued)

#### (f) Share-based payments (continued)

##### *Equity-classified share-based payments (continued)*

###### *Stock option plans*

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

###### *Liability-classified share-based payments*

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

These awards are classified as liability awards, measured at fair value at the date of grant and re-measured at fair value at each reporting date up to and including the settlement date. The determination of the fair value of the share units under these plans is described in note 24. The fair value of the awards is expensed over the respective vesting period of the individual awards with recognition of a corresponding liability. Changes in fair value after vesting are recognized through compensation expense. Compensation expense reflects estimates of the number of instruments expected to vest.

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

#### (g) Leases

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

##### *Operating leases*

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

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

## Notes to the Consolidated Financial Statements

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

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### 2. Significant accounting policies (continued)

#### (g) Leases (continued)

##### *Finance leases*

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

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

#### (h) Fair value measurement

Fair value is the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company measures financial instruments or discloses select non-financial assets at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in note 12.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements at fair value are categorized within a fair value hierarchy, as disclosed in note 12, based on the lowest level input that is significant to the fair value measurement or disclosure. This fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

For the purposes of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy as explained above.

#### (i) Foreign currency translation

The parent entity's presentation and functional currency is the United States dollar. The functional currency for each of the parent entity's subsidiaries is the currency of the primary economic environment in which the entity operates, which is usually the currency of the country of residency.

Accordingly, the financial statements of the Company's subsidiaries that are not denominated in United States dollars have been translated into United States dollars using the exchange rate at the end of each reporting period for asset and liability amounts and the monthly average exchange rate for amounts included in the determination of earnings. Any gains or losses from the translation of asset and liability amounts are included in foreign currency translation adjustment in accumulated other comprehensive income.

In preparing the financial statements of the individual subsidiaries, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transaction. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign currency differences arising on retranslation of monetary items are recognized in earnings.

## Notes to the Consolidated Financial Statements

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

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### 2. Significant accounting policies (continued)

#### (j) Cash and cash equivalents

Cash and cash equivalents is comprised of cash on hand, deposits with financial institutions, and other short-term, highly liquid investments with original maturity of three months or less when acquired, that are readily convertible to known amounts of cash.

#### (k) Restricted cash

In certain jurisdictions, local laws require the Company to hold cash in segregated bank accounts, which are used to settle auction proceeds payable resulting from live on site auctions and online marketplace sales conducted in those regions. In addition, the Company also holds cash generated from its online marketplace sales in separate escrow accounts, for settlement of the respective online marketplace transactions as a part of its secured escrow service. Restricted cash balances also include funds held in accounts owned by the Company in support of short-term stand-by letters of credit to provide seller security.

#### (l) Trade and other receivables

Trade receivables principally include amounts due from customers as a result of live on site auction and online marketplace transactions. The recorded amount reflects the purchase price of the item sold, including the Company's commission. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in existing accounts receivable. The Company determines the allowance based on historical write-off experience and customer economic data.

The Company reviews the allowance for doubtful accounts regularly and past due balances are reviewed for collectability. Account balances are charged against the allowance when the Company believes that the receivable will not be recovered.

#### (m) Inventories

Inventory consists of equipment and other assets purchased for resale in an upcoming live on site auction or online marketplace event. The Company typically purchases inventory for resale through a competitive process where the consignor or vendor has determined this to be the preferred method of disposition through the auction process. In addition, certain jurisdictions require auctioneers to hold title to assets and facilitate title transfer on sale. Inventory is valued at the lower of cost and net realizable value where net realizable value represents the expected sale price upon disposition less make-ready costs and the costs of disposal and transportation. As part of its government business, the Company purchases inventory for resale as part of its commitment to purchase certain surplus government property (note 26). The significant elements of cost include the acquisition price of the inventory and make-ready costs to prepare the inventory for sale that are not selling expenses and in-bound transportation costs. Write-downs to the carrying value of inventory are recorded in cost of inventory sold on the consolidated income statement.

#### (n) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation. Cost includes all expenditures that are directly attributable to the acquisition or development of the asset, net of any amounts received in relation to those assets, including scientific research and experimental development tax credits.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to working condition for their intended use, the costs of dismantling and removing items and restoring the site on which they are located (if applicable), and capitalized interest on qualifying assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

## Notes to the Consolidated Financial Statements

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

### 2. Significant accounting policies (continued)

#### (n) Property, plant and equipment (continued)

All repairs and maintenance costs are charged to earnings during the financial period in which they are incurred. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized net within operating income on the income statement.

Depreciation is provided to charge the cost of the assets to operations over their estimated useful lives based on their usage as follows:

Asset	Basis	Rate / term
Land improvements	Declining balance	10 %
Buildings	Straight-line	15 - 30 years
Yard equipment	Declining balance	20 - 30 %
Automotive equipment	Declining balance	30 %
Computer software and equipment	Straight-line	3 - 5 years
Office equipment	Declining balance	20 %
Leasehold improvements	Straight-line	Lesser of lease term or economic life

No depreciation is provided on freehold land or on assets in the course of construction or development. Depreciation of property, plant and equipment under capital leases is recorded in depreciation expense.

Legal obligations to retire and to restore property, plant and equipment and assets under operating leases are recorded at management's best estimate in the period in which they are incurred, if a reasonable estimate can be made, with a corresponding increase in asset carrying value. The liability is accreted to face value over the remaining estimated useful life of the asset. The Company does not have any significant asset retirement obligations.

#### (o) Long-lived assets held for sale

Long-lived assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use are classified as assets held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are measured at carrying amount in accordance with the Company's accounting policies. Thereafter, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell and are not depreciated. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in operating income on the income statement.

#### (p) Intangible assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition or development of the asset, net of any amounts received in relation to those assets, including scientific research and experimental development tax credits. Costs of internally developed software are amortized on a straight-line basis over the remaining estimated economic life of the software product. Costs related to software incurred prior to establishing technological feasibility or the beginning of the application development stage of software are charged to operations as such costs are incurred. Once technological feasibility is established or the application development stage has begun, directly attributable costs are capitalized until the software is available for use.



## Notes to the Consolidated Financial Statements

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

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### 2. Significant accounting policies (continued)

#### (p) Intangible assets (continued)

Amortization is recognized in net earnings on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives are:

Asset	Basis	Rate / term
Trade names and trademarks	Straight-line	3 - 15 years or indefinite-lived
Customer relationships	Straight-line	6 - 20 years
Software assets	Straight-line	3 - 7 years

Customer relationships includes relationships with buyers and sellers.

#### (q) Impairment of long-lived and indefinite-lived assets

Long-lived assets, comprised of property, plant and equipment and intangible assets subject to amortization, are assessed for impairment whenever events or circumstances indicate that their carrying value may not be recoverable. For the purpose of impairment testing, long-lived assets are grouped and tested for recoverability at the lowest level that generates independent cash flows. An impairment loss is recognized when the carrying value of the assets or asset groups is greater than the future projected undiscounted cash flows. The impairment loss is calculated as the excess of the carrying value over the fair value of the asset or asset group. Fair value is based on valuation techniques or third party appraisals. Significant estimates and judgments are applied in determining these cash flows and fair values.

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

#### (r) Goodwill

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

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

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

## Notes to the Consolidated Financial Statements

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

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### 2. Significant accounting policies (continued)

#### (s) Deferred financing costs

Deferred financing costs represent the unamortized costs incurred on the issuance of the Company's long-term debt. Amortization of deferred financing costs is provided on the effective interest rate method over the term of the facility. Deferred financing costs relating to the Company's term debt are presented in the consolidated balance sheet as a direct reduction of the carrying amount of the long-term debt. Deferred financing costs relating to the Company's revolving loans are presented on the balance sheet as a deferred charge.

#### (t) Taxes

Income tax expense represents the sum of current tax expense and deferred tax expense.

##### *Current tax*

The current tax expense is based on taxable profit for the period and includes any adjustments to tax payable in respect of previous years. Taxable profit differs from income before income taxes as reported in the consolidated income statement because it excludes (i) items of income or expense that are taxable or deductible in other years and (ii) items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

##### *Deferred tax*

Income taxes are accounted for using the asset and liability method. Deferred income tax assets and liabilities are based on temporary differences, which are differences between the accounting basis and the tax basis of the assets and liabilities, and non-capital loss, capital loss, and tax credits carryforwards are measured using the enacted tax rates and laws expected to apply when these differences reverse. Deferred tax benefits, including non-capital loss, capital loss, and tax credits carryforwards, are recognized to the extent that realization of such benefits is considered more likely than not. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that enactment occurs. When realization of deferred income tax assets does not meet the more-likely-than-not criterion for recognition, a valuation allowance is provided.

Interest and penalties related to income taxes, including unrecognized tax benefits, are recorded in income tax expense in the income statement.

Liabilities for uncertain tax positions are recorded based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Company regularly assesses the potential outcomes of examinations by tax authorities in determining the adequacy of its provision for income taxes. The Company continually assesses the likelihood and amount of potential adjustments and adjusts the income tax provision, income taxes payable, and deferred taxes in the period in which the facts that give rise to a revision become known.

#### (u) Contingently redeemable non-controlling interest

Contingently redeemable equity instruments are initially recorded at their fair value on the date of issue within temporary equity on the balance sheet. When the equity instruments become redeemable or redemption is probable, the Company recognizes changes in the estimated redemption value immediately as they occur and adjusts the carrying amount of the redeemable equity instrument to equal the estimated redemption value at the end of each reporting period. Changes to the carrying value are charged or credited to retained earnings attributable to stockholders on the balance sheet.

Redemption value determinations require high levels of judgment ("Level 3" on the fair value hierarchy) and are based on various valuation techniques, including market comparable and discounted cash flow projections.

## Notes to the Consolidated Financial Statements

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

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### 2. Significant accounting policies (continued)

#### (v) Earnings per share

Basic earnings per share has been calculated by dividing net income attributable to stockholders by the weighted average number of common shares outstanding. Diluted earnings per share has been determined after giving effect to outstanding dilutive stock options and share units calculated by adjusting the net income attributable to stockholders and the weighted average number of shares outstanding for all dilutive shares.

#### (w) Defined contribution plans

The employees of the Company are members of retirement benefit plans to which the Company matches up to a specified percentage of employee contributions or, in certain jurisdictions, contributes a specified percentage of payroll costs as mandated by the local authorities. The only obligation of the Company with respect to the retirement benefit plans is to make the specified contributions.

#### (x) Advertising costs

Advertising costs are expensed as incurred. Advertising expense is included in costs of services and selling, general and administrative ("SG&A") expenses on the accompanying consolidated income statements.

#### (y) New and amended accounting standards

Effective January 1, 2019, the Company adopted ASU 2016-02, Leases (Topic 842). The Company adopted the new standard utilizing the "optional transition method", which permits the Company to apply the new lease standard at the adoption date. As the optional transition method is being utilized, the Company's reporting for the comparative periods presented in the financial statements in which it adopts Topic 842 will continue to be reported pursuant to Topic 840.

On adoption, the Company elected to utilize the package of practical expedients permitted within the new standard, which among other things, allows the Company to carryforward the historical lease classification. In addition, the Company elected to utilize the hindsight practical expedient to determine the reasonably certain lease term for existing leases. While lease classification will remain unchanged, hindsight will result in generally longer accounting lease terms where the Company has determined that it is reasonably certain to exercise certain renewal options and thereby increasing the useful lives of the corresponding leasehold improvements. The Company also elected not to recognize the lease assets and liabilities for leases with an initial term of 12 months or less and will recognize those lease payments on a straight-line basis over the lease term.

On adoption of the new standard the Company recognized ROU assets of \$103,897,000 with a corresponding increase in operating lease liability. Offsetting the increase in ROU assets recognized was the reclassification of prepaid rent and deferred rent liabilities to ROU assets of \$5,752,000. There was no impact on retained earnings or cash flows.

The adoption of the standard had no impact on our debt-covenant compliance under our current agreements.

#### (z) Recent accounting standards not yet adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, which replaces the 'incurred loss methodology' credit impairment model with a new forward-looking "methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates." To clarify or address stakeholders' specific issues about certain aspects of ASU 2016-13, the FASB issued ASU 2019-04, *Codification Improvement to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*.

The Company will adopt the new standard prescribed by ASU 2016-13 and ASU 2019-04 effective January 1, 2020. The Company is currently updating processes and controls in preparation of the adoption. We do not expect the adoption of the new standard to have a material effect on our consolidated financial results.

## Notes to the Consolidated Financial Statements

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

### 3. Significant judgments, estimates and assumptions

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

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

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

### 4. Segmented information

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

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

	Year ended December 31, 2019		
	A&M	Other	Consolidated
Service revenue	\$ 678,823	\$ 125,201	\$ 804,024
Inventory sales revenue	514,617	—	514,617
Total revenue	\$ 1,193,440	\$ 125,201	\$ 1,318,641
Costs of services	99,821	65,156	164,977
Cost of inventory sold	480,839	—	480,839
Selling, General and Administration expenses ("SG&A")	358,016	24,373	382,389
Segment profit	\$ 254,764	\$ 35,672	\$ 290,436
Acquisition-related costs			777
Depreciation and amortization expenses ("D&A")			70,501
Gain on disposition of property, plant and equipment ("PPE")			(1,107)
Foreign exchange gain			(2,937)
Operating income			\$ 223,202
Interest expense			(41,277)
Other income, net			8,838
Income tax expense			(41,623)
Net income			\$ 149,140

## Notes to the Consolidated Financial Statements

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

### 4. Segmented information (continued)

	Year ended December 31, 2018		
	A&M	Other	Consolidated
Service revenue	\$ 626,007	\$ 123,508	\$ 749,515
Inventory sales revenue	420,511	—	420,511
Total revenue	\$ 1,046,518	\$ 123,508	\$ 1,170,026
Costs of services	87,430	71,628	159,058
Cost of inventory sold	374,339	—	374,339
SG&A expenses	363,549	19,127	382,676
Segment profit	\$ 221,200	\$ 32,753	\$ 253,953
Acquisition-related costs			5,093
D&A expenses			66,614
Gain on disposition of PPE			(2,731)
Foreign exchange gain			(212)
Operating income			\$ 185,189
Interest expense			(44,527)
Other income, net			11,850
Income tax expense			(31,006)
Net income			\$ 121,506

	Year ended December 31, 2017		
	A&M	Other	Consolidated
Service revenue	\$ 524,023	\$ 100,394	\$ 624,417
Inventory sales revenue	346,774	—	346,774
Total revenue	\$ 870,797	\$ 100,394	\$ 971,191
Costs of services	75,685	57,504	133,189
Cost of inventory sold	306,498	—	306,498
SG&A expenses	308,873	14,397	323,270
Impairment loss	8,911	—	8,911
Segment profit	\$ 170,830	\$ 28,493	\$ 199,323
Acquisition-related costs			38,272
D&A expenses			52,694
Gain on disposition of PPE			(1,656)
Foreign exchange loss			2,559
Operating income			\$ 107,454
Interest expense			(38,291)
Other income, net			8,231
Income tax expense			(2,088)
Net income			\$ 75,306

The carrying value of goodwill of \$652,243,000 has been allocated to A&M and \$20,067,000 has been allocated to Other in relation to the Mascus acquisition. As in prior periods, the CODM does not evaluate the performance of its operating segments based on segment assets and liabilities, nor does the Company classify liabilities on a segmented basis.

As at December 31,	2019	2018
A&M	\$ 652,243	\$ 651,359
Other	20,067	20,235
Total Goodwill	\$ 672,310	\$ 671,594

## Notes to the Consolidated Financial Statements

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

### 4. Segmented information (continued)

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

	United States	Canada	Europe	Other	Consolidated
Total revenue for the year ended:					
December 31, 2019	\$ 743,793	\$ 247,737	\$ 173,054	\$ 154,057	\$ 1,318,641
December 31, 2018	548,695	284,989	180,817	155,525	1,170,026
December 31, 2017	452,599	245,106	127,706	145,780	971,191

	United States	Canada	Europe	Other	Consolidated
Property, plant and equipment:					
December 31, 2019	\$ 256,159	\$ 106,922	\$ 73,991	\$ 47,410	\$ 484,482
December 31, 2018	260,489	100,983	77,496	47,631	486,599

### 5. Revenues

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

	2019	2018	2017
Service revenue:			
Commissions	\$ 431,781	\$ 420,160	\$ 394,397
Fees	372,243	329,355	230,020
	804,024	749,515	624,417
Inventory sales revenue	514,617	420,511	346,774
	<u>\$ 1,318,641</u>	<u>\$ 1,170,026</u>	<u>\$ 971,191</u>

### 6. Operating expenses

#### Costs of services

Year ended December 31,	2019	2018	2017
Ancillary and logistical service expenses	\$ 59,252	\$ 66,576	\$ 54,176
Employee compensation expenses	50,093	41,391	35,440
Buildings, facilities and technology expenses	7,865	9,477	8,359
Travel, advertising and promotion expenses	31,652	27,606	23,994
Other costs of services	16,115	14,008	11,220
	<u>\$ 164,977</u>	<u>\$ 159,058</u>	<u>\$ 133,189</u>

#### SG&A expenses

Year ended December 31,	2019	2018	2017
Employee compensation expenses	\$ 246,028	\$ 249,115	\$ 208,370
Buildings, facilities and technology expenses	61,177	60,930	53,151
Travel, advertising and promotion expenses	38,248	36,728	30,440
Professional fees	15,572	16,768	13,522
Other SG&A expenses	21,364	19,135	17,787
	<u>\$ 382,389</u>	<u>\$ 382,676</u>	<u>\$ 323,270</u>

## Notes to the Consolidated Financial Statements

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

### 6. Operating expenses (continued)

#### Acquisition-related costs

Acquisition-related costs consist of operating expenses directly incurred as part of a business combination, due diligence and integration planning related to the IronPlanet acquisition (note 29), and continuing employment costs that are recognized separately from our business combinations.

Year ended December 31,	2019	2018	2017
<b>IronPlanet:</b>			
Other acquisition-related costs	\$ 82	\$ 2,944	\$ 34,653
<b>Other acquisitions:</b>			
Continuing employment costs	128	2,091	3,418
Other acquisition-related costs	567	58	201
	<u>\$ 777</u>	<u>\$ 5,093</u>	<u>\$ 38,272</u>

#### Depreciation and amortization expenses

Year ended December 31,	2019	2018	2017
Depreciation expense	\$ 29,112	\$ 29,021	\$ 28,337
Amortization expense	41,389	37,593	24,357
	<u>\$ 70,501</u>	<u>\$ 66,614</u>	<u>\$ 52,694</u>

During the year ended December 31, 2019, depreciation expense of \$410,000 (2018: \$494,000; 2017: \$1,207,000) and amortization expense of \$27,944,000 (2018: \$18,996,000; 2017: \$11,662,000) were recorded relating to software.

### 7. Impairment Loss

#### Long-lived asset impairment

Long-lived assets, which are comprised of property, plant and equipment and definite-lived intangible assets, are assessed for impairment whenever events or circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, long-lived assets are grouped and tested for recoverability at the lowest level that generates independent cash flows from another asset group. The carrying amount of the long-lived asset group is not recoverable if it exceeds the sum of the future undiscounted cash flows expected to result from the long-lived asset group's use and eventual disposition. Where the carrying amount of the long-lived asset group is not recoverable, its fair value is determined in order to calculate any impairment loss. An impairment loss is measured as the excess of the long-lived asset group's carrying amount over its fair value.

During the year ended December 31, 2017, management identified indicators of impairment on certain software and software under development intangible assets (the "technology assets"). The indicators consisted of decisions made after the acquisition of IronPlanet that adversely impacted the extent or manner in which certain technology assets would be utilized. As part of its integration activities the Company determined that it was more likely than not that certain technology assets would not be utilized or developed as originally intended and no longer had value. As a result, management performed an impairment test that resulted in the recognition of an impairment loss of \$8,911,000 on the technology assets.

### 8. Other income

For the period ended December 31, 2019, there were no significant items recorded in other income. In 2018, other income included a gain of \$4,935,000 recognized on the disposition of one of the Company's equity accounted for investments. The Company received net proceeds of \$6,147,000 on closing and is entitled to receive up to \$1,020,000 upon the satisfaction of certain escrow release conditions over a period of five years. The first escrow tranche was released during the period ended December 31, 2019. Additionally, the Company was entitled to receive up to \$1,700,000 of contingent consideration upon the achievement of certain financial targets for the period from January 1, 2019 to December 31, 2019. The Company has not recognized any contingent consideration.

## Notes to the Consolidated Financial Statements

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

### 9. Income taxes

The expense for the year can be reconciled to income before income taxes as follows:

Year ended December 31,	2019	2018	2017
Earnings before income tax	\$ 190,763	\$ 152,512	\$ 77,394
Statutory federal and provincial tax rate in Canada	27.00 %	27.00 %	26.00 %
Expected income tax expense	\$ 51,506	\$ 41,178	\$ 20,122
Non-deductible expenses	3,705	4,810	5,668
Adjustment to prior year provision to statutory tax returns	4	1,323	(528)
Changes in the valuation of deferred tax assets	(550)	(771)	(1,089)
Different tax rates of subsidiaries operating in foreign jurisdictions	(11,818)	(17,145)	(12,269)
U.S. tax reform impacts	6,949	4,899	(9,734)
Change in enacted tax rates	(1,016)	93	(229)
Change in estimate of deductibility of stock options	—	—	(1,557)
Unrecognized tax benefits	(2,347)	(1,800)	3,291
Benefits of deductible stock options vested and exercised	(1,780)	(2,434)	(1,359)
Other	(3,030)	853	(228)
	<u>\$ 41,623</u>	<u>\$ 31,006</u>	<u>\$ 2,088</u>

The income tax expense (recovery) consists of:

Year ended December 31,	2019	2018	2017
Canadian:			
Current tax expense	\$ 19,752	\$ 13,209	\$ 14,245
Deferred tax expense (recovery)	3,346	3,958	(10,192)
Foreign:			
Current tax expense before application of operating loss carryforwards	24,815	19,851	8,987
Tax benefit of operating loss carryforwards	(11,770)	(8,293)	(3,876)
Total foreign current tax expense	13,045	11,558	5,111
Deferred tax expense before adjustment			
to opening valuation allowance	5,727	2,386	(6,317)
Adjustment to opening valuation allowance	(247)	(105)	(759)
Total foreign deferred tax expense (recovery)	5,480	2,281	(7,076)
	<u>\$ 41,623</u>	<u>\$ 31,006</u>	<u>\$ 2,088</u>

The foreign provision for income taxes is based on foreign pre-tax earnings of \$108,714,000, \$102,824,000, and \$64,252,000, in 2019, 2018, and 2017 respectively. The Company's consolidated financial statements provide for any related tax liability on undistributed earnings that we intend to repatriate in the foreseeable future. As of December 31, 2019, income taxes have not been provided on a cumulative total of \$483,430,000 of such earnings. The amount of unrecognized deferred tax liability related to these temporary differences is estimated to be approximately \$10,506,000. Earnings retained by subsidiaries and equity-accounted investments amount to approximately \$500,430,000 (2018: 484,510,000; 2017: 469,000,000). The Company accrues withholding and other taxes that would become payable on the distribution of earnings only to the extent that either the Company does not control the relevant entity or it is expected that these earnings will be remitted in the foreseeable future.



## Notes to the Consolidated Financial Statements

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

### 9. Income taxes (continued)

The tax effects of temporary differences that give rise to significant deferred tax assets and deferred tax liabilities were as follows:

As at December 31,	2019	2018
Deferred tax assets:		
Working capital	\$ 13,307	\$ 4,703
Property, plant and equipment	5,579	6,385
Share-based compensation	5,973	4,923
Tax losses and tax credit carryforwards	33,248	48,881
Lease liabilities	29,523	2,578
Other	3,088	12,266
	<u>90,718</u>	<u>79,736</u>
Deferred tax liabilities:		
Property, plant and equipment	\$ (14,783)	\$ (10,918)
Goodwill	(8,499)	(8,390)
Intangible assets	(50,531)	(54,810)
Right-of-use assets	(25,244)	—
Other	(7,496)	(12,051)
	<u>(106,553)</u>	<u>(86,169)</u>
Net deferred tax assets (liabilities)	<u>\$ (15,835)</u>	<u>\$ (6,433)</u>
Valuation allowance	(12,913)	(13,438)
	<u>\$ (28,748)</u>	<u>\$ (19,871)</u>

At December 31, 2019, the Company had non-capital loss carryforwards that are available to reduce taxable income in the future years. These non-capital loss carryforwards expire as follows:

2020	\$ 4,983
2021	3,543
2022	4,878
2023	2,964
2024 and thereafter	69,462
	<u>\$ 85,830</u>

The Company has capital loss carryforwards of approximately \$39,981,209 (2018: \$9,292,000) available to reduce future capital gains and interest deduction carryforwards of \$23,746,000 (2018: \$22,112,000), both of which carryforward indefinitely.

Tax losses are denominated in the currency of the countries in which the respective subsidiaries are located and operate. Fluctuations in currency exchange rates could reduce the U.S. dollar equivalent value of these tax loss and tax credit carry forwards in future years.

In assessing the realizability of our deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which temporary differences become deductible and the loss carry forwards or tax credits can be utilized. Management considers projected future taxable income and tax planning strategies in making our assessment.

## Notes to the Consolidated Financial Statements

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

### 9. Income taxes (continued)

#### Uncertain tax positions

Tax positions are evaluated in a two-step process. The Company first determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more-likely-than-not recognition threshold it is then measured to determine the amount of the benefit to recognize in the financial statements. The tax position is measured as the largest amount of the benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company classifies unrecognized tax benefits that are not expected to result in the payment or receipt of cash within one year as non-current liabilities in the consolidated balance sheets.

At December 31, 2019, the Company had gross unrecognized tax benefits of \$20,232,000 (2018: \$22,584,000). Of this total, \$8,854,000 (2018: \$10,556,000) represents the amount of unrecognized tax benefits that, if recognized, would favorably impact the effective tax rate.

Reconciliation of unrecognized tax benefits:

As at December 31,	2019	2018
Unrecognized tax benefits, beginning of year	\$ 22,584	\$ 25,910
Increases - tax positions taken in prior period	700	725
Decreases - tax positions taken in prior period	(57)	(107)
Increases - tax positions taken in current period	1,268	2,644
Settlement and lapse of statute of limitations	(4,364)	(4,944)
Currency translation adjustment	101	(1,644)
Unrecognized tax benefits, end of year	<u>\$ 20,232</u>	<u>\$ 22,584</u>

Interest expense and penalties related to unrecognized tax benefits are recorded within the provision for income tax expense on the consolidated income statement. At December 31, 2019, the Company had accrued \$3,569,000 (2018: \$4,170,000) for interest and penalties.

In the normal course of business, the Company is subject to audit by the Canadian federal and provincial taxing authorities, by the U.S. federal and various state taxing authorities and by the taxing authorities in various foreign jurisdictions. Tax years ranging from 2014 to 2019 remain subject to examination in Canada, the United States, Luxembourg, and the Netherlands.

### 10. Earnings per share attributable to stockholders

Basic earnings per share ("EPS") attributable to stockholders was calculated by dividing the net income attributable to stockholders by the weighted average ("WA") number of common shares outstanding during the period. Diluted EPS attributable to stockholders was calculated by dividing the net income attributable to stockholders by the WA number of shares of common stock outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include unvested PSUs, unvested RSUs, and outstanding stock options. The dilutive effect of potentially dilutive securities is reflected in diluted 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.

Year ended December 31, 2019	Net income attributable to stockholders	WA number of shares	Per share amount
Basic	\$ 149,039	108,519,739	\$ 1.37
Effect of dilutive securities:			
Share units	—	458,763	—
Stock options	—	780,621	(0.01)
Diluted	<u>\$ 149,039</u>	<u>109,759,123</u>	<u>\$ 1.36</u>

## Notes to the Consolidated Financial Statements

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

### 10. Earnings per share attributable to stockholders (continued)

Year ended December 31, 2018	Net income attributable to stockholders	WA number of shares	Per share amount
Basic	\$ 121,479	108,063,349	\$ 1.12
Effect of dilutive securities:			
Share units	—	459,503	—
Stock options	—	865,384	(0.01)
Diluted	\$ 121,479	109,388,236	\$ 1.11
Year ended December 31, 2017	Net income attributable to stockholders	WA number of shares	Per share amount
Basic	\$ 75,027	107,044,348	\$ 0.70
Effect of dilutive securities:			
Share units	(152)	353,880	—
Stock options	—	714,923	(0.01)
Diluted	\$ 74,875	108,113,151	\$ 0.69

### 11. Supplemental cash flow information

Year ended December 31,	2019	2018	2017
Trade and other receivables	\$ (8,611)	\$ (43,341)	\$ (19,161)
Inventory	44,633	(77,292)	(8,557)
Advances against auction contracts	2,766	(8,266)	3,246
Prepaid expenses and deposits	(3,403)	646	1,178
Income taxes receivable	(445)	13,053	(6,067)
Auction proceeds payable	69,382	8,768	25,783
Trade and other payables	(21,296)	39,531	21,854
Income taxes payable	5,812	1,954	(3,986)
Share unit liabilities	—	1,070	(5,421)
Operating lease obligation	(13,404)	—	—
Other	1,168	(1,673)	1,410
Net changes in operating assets and liabilities	\$ 76,602	\$ (65,550)	\$ 10,279

Net capital spending, which consists of property, plant and equipment and intangible asset additions, net of proceeds on disposition of property, plant and equipment, was \$35,075,000 for the year ended December 31, 2019 (2018: \$32,426,000; 2017: \$34,436,000).

Year ended December 31,	2019	2018	2017
Interest paid, net of interest capitalized	\$ 37,046	\$ 39,429	\$ 23,360
Interest received	3,802	2,888	3,196
Net income taxes paid	26,699	10,352	28,281
Non-cash purchase of property, plant and equipment under capital lease	15,282	8,968	8,820
Non-cash right of use assets obtained in exchange for new lease obligations	\$ 29,117	\$ —	\$ —
Cash and cash equivalents	\$ 359,671	\$ 237,744	\$ 267,910
Restricted cash	60,585	67,823	63,206
Cash, cash equivalents, and restricted cash	\$ 420,256	\$ 305,567	\$ 331,116

## Notes to the Consolidated Financial Statements

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

### 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	December 31, 2019		December 31, 2018	
		Carrying amount	Fair value	Carrying amount	Fair value
<i>Fair values disclosed:</i>					
Cash and cash equivalents	Level 1	\$ 359,671	\$ 359,671	\$ 237,744	\$ 237,744
Restricted cash	Level 1	60,585	60,585	67,823	67,823
Short-term debt	Level 2	4,705	4,705	19,896	19,896
Long-term debt					
Senior unsecured notes	Level 1	490,933	520,625	489,136	487,813
Term loans	Level 2	154,548	155,355	222,162	224,582

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

### 13. Trade and other receivables

As at December 31,	2019	2018
Trade receivables	\$ 121,752	\$ 112,680
Consumption taxes receivable	12,108	16,099
Other receivables	3,542	478
	<u>\$ 137,402</u>	<u>\$ 129,257</u>

Trade receivables are generally secured by the equipment that they relate to as it is Company policy that equipment is not released until payment has been collected. Trade receivables are due for settlement within three to seven days of the date of sale, after which they are interest bearing. Other receivables are unsecured and non-interest bearing.

As at December 31, 2019, there were \$5,225,000 of impaired receivables that have been provided for (December 31, 2018: \$5,942,000).

Consumption taxes receivable are deemed fully recoverable unless disputed by the relevant tax authority. The other classes within trade and other receivables do not contain impaired assets.

## Notes to the Consolidated Financial Statements

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

### 14. Inventory

At each period end, inventory is reviewed to ensure that it is recorded at the lower of cost and net realizable value. Specific consideration was given to the valuation of the surplus government inventory. The Company determined the valuation provision to be insignificant.

During the year ended December 31, 2019, the Company recorded an inventory write-down of \$4,215,000 (2018: \$1,011,000; 2017: \$834,000).

### 15. Other current assets

As at December 31,	2019	2018
Advances against auction contracts	\$ 12,925	\$ 15,558
Assets held for sale	15,051	15,051
Prepaid expenses and deposits	22,184	18,446
	<u>\$ 50,160</u>	<u>\$ 49,055</u>

#### *Advances against auction contracts*

Advances against auction contracts arise when the Company pays owners, in advance, a portion of the expected gross auction proceeds from the sale of the related assets at future auctions. The Company's policy is to limit the amount of advances to a percentage of the estimated gross auction proceeds from the sale of the related assets, and before advancing funds, require proof of owner's title to and equity in the assets, as well as receive delivery of the assets and title documents at a specified auction site, by a specified date and in a specified condition of repair.

Advances against auction contracts are generally secured by the assets to which they relate, as the Company requires owners to provide promissory notes and security instruments registering the Company as a charge against the asset. Advances against auction contracts are usually settled within two weeks of the date of sale, as they are netted against the associated auction proceeds payable to the owner.

#### *Assets held for sale*

Balance, December 31, 2017	\$ 584
Site preparation costs	—
Reclassified from property, plant and equipment	20,610
Disposal	(6,143)
Balance, December 31, 2018	15,051
Reclassified from (to) property, plant and equipment	4,071
Disposal	(4,071)
Balance, December 31, 2019	<u>\$ 15,051</u>

As at December 31, 2019, the Company's assets held for sale consisted of two excess auction sites located in the United States. Management made the strategic decision to sell these properties to maximize the Company's return on invested capital. The estimated sales proceeds are expected to be in excess of the current book value. The properties have been actively marketed for sale, and management expects the sales to be completed within 12 months of December 31, 2019. These properties belong to the A&M reportable segment.

As at December 31, 2018, the Company's assets held for sale consisted of excess auction sites located in the United States. Management made the strategic decision to sell this excess acreage to maximize the Company's return on invested capital.

During the year ended December 31, 2019, the Company sold excess auction site acreage in Nashville, United States for net proceeds of \$4,642,000 resulting in a gain of \$571,000 (2018: \$1,439,000 gain related to the sale of property located in Prince George, Canada and Albuquerque, United States; 2017: \$602,000 gain related to the sale of property in Orlando, United States, and Truro, Canada).

## Notes to the Consolidated Financial Statements

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

### 16. Property, plant and equipment

<b>As at December 31, 2019</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
Land and improvements	\$ 361,623	\$ (77,015)	\$ 284,608
Buildings	252,774	(115,423)	137,351
Yard and automotive equipment	66,871	(40,686)	26,185
Computer software and equipment	80,756	(68,431)	12,325
Office equipment	31,760	(21,776)	9,984
Leasehold improvements	19,756	(16,541)	3,215
Assets under development	10,814	—	10,814
	<u>\$ 824,354</u>	<u>\$ (339,872)</u>	<u>\$ 484,482</u>

<b>As at December 31, 2018</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
Land and improvements	\$ 362,781	\$ (72,547)	\$ 290,234
Buildings	252,182	(106,959)	145,223
Yard and automotive equipment	57,983	(36,640)	21,343
Computer software and equipment	70,623	(60,258)	10,365
Office equipment	28,490	(19,582)	8,908
Leasehold improvements	19,735	(16,240)	3,495
Assets under development	7,031	—	7,031
	<u>\$ 798,825</u>	<u>\$ (312,226)</u>	<u>\$ 486,599</u>

During the year ended December 31, 2019, interest of \$85,000 (2018: \$110,000; 2017: \$110,000) was capitalized to the cost of assets under development. These interest costs relating to qualifying assets are capitalized at a weighted average rate of 4.07% (2018: 4.06%; 2017: 2.97%).

Additions during the year include \$15,282,000 (2018: \$8,968,000; 2017: \$8,820,000) of property, plant and equipment under capital leases.

### 17. Other non-current assets

<b>As at December 31,</b>	<b>2019</b>	<b>2018</b>
Right-of-use assets	\$ 116,209	\$ —
Tax receivable	11,792	12,705
Equity-accounted investments	4,276	4,010
Deferred debt issue costs	1,403	2,017
Other	11,999	10,663
	<u>\$ 145,679</u>	<u>\$ 29,395</u>

#### *Equity-accounted investments*

The Company holds a 48% share interest in a group of companies detailed below (together, the “Cura Classis entities”), which have common ownership. The Cura Classis entities provide dedicated fleet management services in three jurisdictions to a common customer unrelated to the Company. The Company has determined the Cura Classis entities are variable interest entities and the Company is not the primary beneficiary, as it does not have the power to make any decisions that significantly affect the economic results of the Cura Classis entities. Accordingly, the Company accounts for its investments in the Cura Classis entities following the equity method.

## Notes to the Consolidated Financial Statements

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

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

#### Equity-accounted investments (continued)

A condensed summary of the Company's investments in and advances to equity-accounted investees are as follows (in thousands of United States dollars, except percentages):

	Ownership percentage	December 31, 2019	December 31, 2018
Cura Classis entities	48 %	\$ 4,276	\$ 4,010

As a result of the Company's investments, the Company is exposed to risks associated with the results of operations of the Cura Classis entities. The Company has no other business relationships with the Cura Classis entities. The Company's maximum risk of loss associated with these entities is the investment carrying amount.

### 18. Intangible assets

As at December 31, 2019	Cost	Accumulated amortization	Net book value
Trade names and trademarks	\$ 53,319	\$ (2,028)	\$ 51,291
Customer relationships	124,865	(34,666)	90,199
Software	157,776	(78,330)	79,446
Software under development	12,444	—	12,444
	<u>\$ 348,404</u>	<u>\$ (115,024)</u>	<u>\$ 233,380</u>

As at December 31, 2018	Cost	Accumulated amortization	Net book value
Trade names and trademarks	\$ 53,409	\$ (1,201)	\$ 52,208
Customer relationships	124,986	(22,010)	102,976
Software	127,320	(48,522)	78,798
Software under development	11,640	—	11,640
	<u>\$ 317,355</u>	<u>\$ (71,733)</u>	<u>\$ 245,622</u>

During the year ended December 31, 2019, the Company recognized an impairment loss of nil (2018: nil; 2017: the Company recorded an impairment loss relating to certain software and software under development \$8,911,000) (note 7).

At December 31, 2019, a net carrying amount of \$62,589,000 (December 31, 2018: \$61,883,000) included in intangible assets was not subject to amortization. During the year ended December 31, 2019, the cost of additions was reduced by \$1,022,000 for recognition of tax credits (2018: \$1,606,000; 2017: \$888,000).

During the year ended December 31, 2019, interest of \$402,000 (2018: \$460,000; 2017: \$281,000) was capitalized to the cost of software under development. These interest costs relating to qualifying assets are capitalized at a weighted average rate of 4.01% (2018: 4.09%; 2017: 3.18%).

During the year ended December 31, 2019, the weighted average amortization period for all classes of intangible assets was 7.8 years (2018: 8.2; 2017: 7.9 years).

**Notes to the Consolidated Financial Statements**

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

**18. Intangible assets (continued)**

As at December 31, 2019, estimated annual amortization expense for the next five years ended December 31 are as follows:

2020	\$	35,539
2021		29,706
2022		23,438
2023		17,214
2024		10,139
	\$	<u>116,036</u>

**19. Goodwill**

Balance, December 31, 2017	\$	670,922
Additions		3,671
Foreign exchange movement		(2,999)
Balance, December 31, 2018	\$	671,594
Additions		93
Foreign exchange movement		623
Balance, December 31, 2019	\$	<u>672,310</u>

**20. Trade and other payables**

<u>As at December 31,</u>	<u>2019</u>	<u>2018</u>
Trade payables	\$ 72,918	\$ 93,482
Accrued liabilities	69,539	63,666
Social security and sales taxes payable	27,737	19,390
Net consumption taxes payable	12,298	13,456
Share unit liabilities	5,130	3,714
Other payables	6,657	7,547
	<u>\$ 194,279</u>	<u>\$ 201,255</u>



## Notes to the Consolidated Financial Statements

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

### 21. Debt

	Carrying amount	
	December 31, 2019	December 31, 2018
Short-term debt	\$ 4,705	\$ 19,896
Long-term debt:		
Term loans:		
Denominated in Canadian dollars, secured, bearing interest at a weighted average rate of 3.958%, due in monthly installments of interest only and quarterly installments of principal, maturing in October 2021	155,355	161,891
Denominated in United States dollars, secured, bearing interest at a weighted average rate of 3.715%, due in weekly installments of interest only and quarterly installments of principal, repaid in full in December 2019	—	62,690
Less: unamortized debt issue costs	(807)	(2,419)
Senior unsecured notes:		
Bearing interest at 5.375% due in semi-annual installments, with the full amount of principal due in January 2025	500,000	500,000
Less: unamortized debt issue costs	(9,067)	(10,864)
Total long-term debt	645,481	711,298
Total debt	\$ 650,186	\$ 731,194
Long-term debt:		
Current portion	\$ 18,277	\$ 13,126
Non-current portion	627,204	698,172
Total long-term debt	\$ 645,481	\$ 711,298

On October 27, 2016, the Company entered into a credit agreement (the “Credit Agreement”) with a syndicate of lenders.

At that time, the Credit Agreement provided the Company with:

- Multicurrency revolving facilities of up to \$675,000,000 (the “Revolving facilities”);
- A delayed draw term loan facility of up to \$325,000,000 (the “Term loans”);
- At the Company’s election and subject to certain conditions, including receipt of related commitments, incremental term loan facilities and/or increases to the Revolving facilities in an aggregate amount of up to \$50,000,000.

The Company may use the proceeds from the Revolving facilities for general corporate purposes. The amount available pursuant to the Term loans was only available to finance the acquisition of IronPlanet and is not available for other corporate purposes upon repayment of amounts borrowed under that facility. On May 31, 2017, the Company borrowed \$325,000,000 under the Term loans to finance the acquisition of IronPlanet (note 29). The Term loans amortize in equal quarterly installments in an annual amount of 5% for the first two years and 10% in the third through fifth years, with the balance payable at maturity. Prepayments are applied against future scheduled mandatory payments. Upon the closing of the acquisition the Credit Agreement became secured by the assets of the Company and certain of its subsidiaries in Canada and the United States. The Credit Agreement may become unsecured again, subject to the Company meeting specified credit rating or leverage ratio conditions.

On June 21, 2018, the Company reduced the amount available on the Company’s Revolving facilities by \$185,000,000.

At December 31, 2019, the Company’s Credit Agreement provides the Company with:

- Revolving facilities of up to \$490,000,000
- Terms loans used to finance the acquisition of IronPlanet and
- At the Company’s election and subject to certain conditions, including receipt of related commitments, incremental Term loan facilities and/or increases to the Revolving facilities in an aggregate amount of up to \$50,000,000.

## Notes to the Consolidated Financial Statements

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

### 21. Debt (continued)

For the year ended December 31, 2019, the Company made scheduled debt repayments of \$13,592,000 on the Term loans (2018: \$11,013,000). For the year ended December 31, 2019, the Company made voluntary prepayments totalling \$62,690,000 (2018: \$80,000,000) on the term loan denominated in United States dollars.

On December 21, 2016, the Company completed the offering of \$500,000,000 aggregate principal amount of 5.375% senior unsecured notes due January 15, 2025 (the "Notes"). Interest on the Notes is payable semi-annually. The Notes are jointly and severally guaranteed on an unsecured basis, subject to certain exceptions, by each of the Company's subsidiaries that is a borrower or guarantees indebtedness under the Credit Agreement. IronPlanet and certain of its subsidiaries were added as additional guarantors in connection with the acquisition of IronPlanet.

Short-term debt is comprised of drawings in different currencies on the Company's committed revolving credit facilities and have a weighted average interest rate of 2.3% (December 31, 2018: 2.3%).

As at December 31, 2019, principal repayments for the remaining period to the contractual maturity dates are as follows:

	<b>Face value</b>
2020	\$ 18,277
2021	137,078
2022	—
2023	—
2024	—
Thereafter	500,000
	<u>\$ 655,355</u>

As at December 31, 2019, the Company had unused committed revolving credit facilities aggregating \$489,937,000 of which \$485,509,000 is available until October 27, 2021.

### 22. Other non-current liabilities

<b>As at December 31,</b>	<b>2019</b>	<b>2018</b>
Operating lease liability	\$ 111,322	\$ —
Tax payable	20,232	22,583
Finance lease liability	16,336	10,146
Other	3,348	9,251
	<u>\$ 151,238</u>	<u>\$ 41,980</u>

### 23. Equity and dividends

#### Share capital

##### *Preferred stock*

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

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

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

## Notes to the Consolidated Financial Statements

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

### 23. Equity and dividends (continued)

#### Share capital (continued)

##### *Share repurchase*

There were 1,223,674 common shares repurchased for \$42,012,000 during the year ended December 31, 2019. There were no common shares repurchased in the years ended December 2018 and 2017.

#### Dividends

##### *Declared and paid*

The Company declared and paid the following dividends during the years ended December 31, 2019, 2018, and 2017:

	<u>Declaration date</u>	<u>Dividend per share</u>	<u>Record date</u>	<u>Total dividends</u>	<u>Payment date</u>
Year ended December 31, 2019:					
Fourth quarter 2018	January 25, 2019	\$ 0.1800	February 15, 2019	\$ 19,568	March 8, 2019
First quarter of 2019	May 8, 2019	0.1800	May 29, 2019	19,592	June 19, 2019
Second quarter of 2019	August 8, 2019	0.2000	August 28, 2019	21,631	September 18, 2019
Third quarter 2019	November 7, 2019	0.2000	November 27, 2019	21,744	December 18, 2019
Year ended December 31, 2018:					
Fourth quarter 2017	January 26, 2018	\$ 0.1700	February 16, 2018	\$ 18,246	March 9, 2018
First quarter of 2018	May 9, 2018	0.1700	May 30, 2018	18,342	June 20, 2018
Second quarter of 2018	August 7, 2018	0.1800	August 29, 2018	19,528	September 19, 2018
Third quarter 2018	November 8, 2018	0.1800	November 28, 2018	19,562	December 19, 2018
Year ended December 31, 2017:					
Fourth quarter 2016	January 23, 2017	\$ 0.1700	February 10, 2017	\$ 18,160	March 3, 2017
First quarter 2017	May 4, 2017	0.1700	May 23, 2017	18,188	June 13, 2017
Second quarter 2017	August 4, 2017	0.1700	August 25, 2017	18,210	September 15, 2017
Third quarter 2017	November 7, 2017	0.1700	November 29, 2017	18,227	December 20, 2017

##### *Declared and undistributed*

In addition to the above dividends, since the end of the year the Directors have recommended the payment of a final dividend of \$0.20 cents per common share, accumulating to a total dividend of \$21,906,000. The aggregate amount of the proposed final dividend is expected to be paid out of retained earnings on March 6, 2020 to stockholders of record on February 14, 2020. This dividend payable has not been recognized as a liability in the financial statements. The payment of this dividend will not have any tax consequence for the Company.

#### Foreign currency translation reserve

Foreign currency translation adjustment includes intra-entity foreign currency transactions that are of a long-term investment nature, which generated net loss of \$1,082,000 for 2019 (2018: net loss of \$9,602,000; 2017: net gain of \$18,129,000).

## Notes to the Consolidated Financial Statements

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

### 24. Share-based payments

Share-based payments consist of the following compensation costs:

Year ended December 31,	2019	2018	2017
Stock option compensation expense:			
SG&A expenses	\$ 4,697	\$ 7,895	\$ 8,948
Acquisition-related costs	—	357	4,752
Share unit expense:			
Equity-classified share units	8,047	11,256	3,529
Liability-classified share units	1,380	1,764	670
Employee share purchase plan - employer contributions	2,281	2,174	1,813
	<u>\$ 16,405</u>	<u>\$ 23,446</u>	<u>\$ 19,712</u>

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

### Stock option plans

The Company has three stock option plans that provide for the award of stock options to selected employees, directors, and officers of the Company: a) Amended and Restated Stock Option Plan, b) IronPlanet 1999 Stock Plan, and c) IronPlanet 2015 Stock Plan. The IronPlanet 1999 Stock Plan and IronPlanet 2015 Stock Plan were assumed by the Company as part of the acquisition of IronPlanet (note 29).

Stock option activity for the years ended December 31, 2019, 2018, and 2017 is presented below:

	Common shares under option	WA exercise price	WA remaining contractual life (in years)	Aggregate intrinsic value
Outstanding, December 31, 2016	3,366,714	\$ 24.02	7.5	\$ 33,601
Granted	970,947	31.07		
Assumed in acquisition	737,358	14.26		
Exercised	(444,571)	22.35		3,762
Forfeited	(170,704)	19.38		
Outstanding, December 31, 2017	4,459,744	\$ 24.29	7.5	\$ 17,649
Granted	923,199	32.14		
Exercised	(1,235,154)	23.10		14,808
Forfeited	(132,624)	25.91		
Expired	(1,302)	25.76		
Outstanding, December 31, 2018	4,013,863	\$ 26.41	7.2	\$ 25,374
Granted	914,068	34.03		
Exercised	(1,672,022)	24.58		27,349
Forfeited	(458,092)	32.15		
Expired	(628)	24.44		
Outstanding, December 31, 2019	<u>2,797,189</u>	<u>\$ 29.05</u>	<u>7.1</u>	<u>\$ 38,874</u>
Exercisable, December 31, 2019	<u>1,497,043</u>	<u>\$ 26.11</u>	<u>6.0</u>	<u>\$ 25,203</u>

## Notes to the Consolidated Financial Statements

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

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### 24. Share-based payments (continued)

#### Stock option plans (continued)

Stock options are granted with an exercise price equal to the fair market value of the Company's common shares at the grant date, with vesting periods ranging from immediate to five years and terms not exceeding 10 years. At December 31, 2019, there were 7,222,978 (December 31, 2018: 2,478,321) shares authorized and available for grants of options under the stock option plans. The options outstanding at December 31, 2019 expire on dates ranging to August 12, 2029. The WA grant date fair value of options granted during the year ended December 31, 2019 was \$7.52 per option (2018: \$7.69; 2017: \$7.22). The WA share price of options exercised during the year ended December 31, 2019 was \$40.32 (2018: \$35.08; 2017: \$30.81).

The significant assumptions used to estimate the fair value of stock options granted during the years ended December 31, 2019, 2018, and 2017 are presented in the following table on a weighted average basis:

Year ended December 31,	2019	2018	2017
Risk free interest rate	2.5 %	2.7 %	2.0 %
Expected dividend yield	2.06 %	2.11 %	2.15 %
Expected lives of the stock options	5 years	5 years	5 years
Expected volatility	26.8 %	28.1 %	27.8 %

In 2017, the fair value of the stock options assumed from the IronPlanet acquisition is estimated on the acquisition date using the Black-Scholes option pricing model. The weighted average fair value of the assumed options was \$16.93. 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:

Year ended December 31,	2017
Risk free interest rate	0.8 %
Expected dividend yield	2.19 %
Expected lives of the stock options	0.4 years
Expected volatility	32.1 %

As at December 31, 2019, the unrecognized stock-based compensation cost related to the non-vested stock options was \$3,457,000, which is expected to be recognized over a weighted average period of 2.0 years. Cash received from stock-based award exercises for the year ended December 31, 2019 was \$41,094,000 (2018: \$28,524,000; 2017: \$9,936,000). The actual tax benefit realized for the tax deductions from option exercise of the share-based payment arrangements totaled \$1,679,000 for the year ended December 31, 2019 (2018: \$2,793,000; 2017: \$1,017,000).

## Notes to the Consolidated Financial Statements

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

### 24. Share-based payments (continued)

#### Share unit plans

Share unit activity for the years ended December 31, 2019, 2018, and 2017 is presented below:

	Equity-classified awards				Liability-classified awards					
	PSUs		RSUs		PSUs <sup>(1)</sup>		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	Number	WA grant date fair value
Outstanding, December 31, 2016	243,968	\$ 27.48	—	\$ —	311,329	\$ 23.96	160,009	\$ 23.37	73,520	\$ 25.41
Granted	136,073	30.28	125,152	26.93	98,775	31.21	878	32.30	19,967	29.67
Transferred to (from) equity awards on modification	81,533	24.47	—	—	(81,533)	24.66	—	—	—	—
Vested and settled	(27,326)	26.82	—	—	(49,873)	23.64	(156,221)	23.33	—	—
Forfeited	—	—	—	—	(19,457)	26.39	—	—	—	—
Outstanding, December 31, 2017	434,248	\$ 27.83	125,152	\$ 26.93	259,241	\$ 26.38	4,666	\$ 26.42	93,487	\$ 26.32
Granted	240,803	35.63	91,251	32.10	—	—	66	34.70	26,553	33.42
Transferred to equity awards on modification	257,659	31.30	—	—	(257,659)	26.38	—	—	—	—
Vested and settled	(212,263)	33.78	—	—	—	—	(4,732)	26.54	(6,605)	23.16
Forfeited	(50,159)	31.41	(8,417)	32.00	(1,582)	26.45	—	—	—	—
Outstanding, December 31, 2018	670,288	\$ 31.46	207,986	\$ 28.99	—	\$ —	—	\$ —	113,435	\$ 28.16
Granted	170,208	36.13	36,350	35.40	—	—	—	—	24,810	35.99
Vested and settled	(251,883)	30.33	(265)	31.98	—	—	—	—	(19,877)	27.45
Forfeited	(159,889)	33.21	(6,651)	34.27	—	—	—	—	—	—
Outstanding, December 31, 2019	428,724	\$ 32.89	237,420	\$ 29.72	—	\$ —	—	\$ —	118,368	\$ 29.64

(1) Liability-classified PSUs include PSUs awarded under the employee PSU plan and the previous 2013 PSU plan, in place prior to 2015, are cash-settled and not subject to market vesting conditions.

The total market value of liability-classified share units vested and released during the year ended December 31, 2019 was \$774,000 (2018: \$410,000; 2017: \$6,521,000). The Company modified the employee PSU plans from liability-classified to equity-classified share units prior to the 2018 vesting.

#### Senior executive and employee PSU plans

The Company grants PSUs under a senior executive PSU plan and an employee PSU plan (the “PSU Plans”). Under the PSU Plans, the number of PSUs that vest is conditional upon specified market, service, and/or performance vesting conditions being met. The PSU Plans allow the Company to choose whether to settle the awards in cash or in shares. The Company intends to settle by issuance of shares for units granted in 2018 and onwards. With respect to settling in shares, the Company has the option to either (i) arrange for the purchase shares on the open market on the employee’s behalf based on the cash value that otherwise would be delivered, or (ii) to issue a number of shares equal to the number of units that vest.

The fair value of the equity-classified PSUs awarded in 2019 is estimated using the 20-day volume weighted average price of the Company’s common shares listed on the New York Stock Exchange, as these awards are not subject to market vesting conditions. PSUs awarded in 2018 and 2017 contained market vesting conditions and their fair value is estimated on modification date and on the date of grant using a Monte-Carlo simulation model. The significant assumptions used to estimate the fair value of the equity-classified PSUs awarded during 2018 and 2017 are presented in the following table on a weighted average basis:

Year ended December 31,	2018	2017
Risk free interest rate	1.92 %	1.40 %
Expected dividend yield	2.09 %	1.92 %
Expected lives of the PSUs	3 years	3 years
Expected volatility	31.1 %	28.2 %
Average expected volatility of comparable companies	34.1 %	37.0 %

## Notes to the Consolidated Financial Statements

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

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### 24. Share-based payments (continued)

#### Share unit plans (continued)

##### *Senior executive and employee PSU plans (continued)*

The significant assumptions used to estimate fair value of the liability-classified PSUs awarded under the employee PSU plan during 2017 are presented in the following table on a weighted average basis:

<u>Year ended December 31,</u>	<u>2017</u>
Risk free interest rate	1.5 %
Expected dividend yield	2.01 %
Expected lives of the PSUs	3 years
Expected volatility	28.9 %
Average expected volatility of comparable companies	33.4 %

Risk free interest rate is estimated using Bloomberg's United States dollar Swap Rate as of the valuation date. Expected dividend yield assumes a continuation of the most recent quarterly dividend payments. Given the limited historical information available for the PSUs, the Company estimated the expected life of PSUs with reference to the expected life of stock options. Stock options have five-year expected lives, whereas PSUs vest after three years. As such, the Company estimates the expected life of the PSUs to equal the three-year vesting period. Expected volatility is estimated from Bloomberg's volatility surface of the common shares as of the valuation date.

As at December 31, 2019, the unrecognized share unit expense related to equity-classified PSUs was \$5,015,000, which is expected to be recognized over a weighted average period of 1.7 years.

##### *Sign-on grant PSUs*

On August 11, 2014, the Company awarded 102,375 one-time sign-on grant PSUs (the "SOG PSUs") that are subject to market vesting conditions related to the Company's share performance over rolling two, three, four, and five-year periods. This plan was modified in 2017 and 2018, and the nature, impact, and significant assumptions used to determine fair value at modification are provided in the "Modifications" section below.

This plan fully vested in August 2019 and there was no unrecognized share unit expense at December 31, 2019.

##### *RSUs*

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

Fair values of RSUs are estimated on grant date using the 20-day volume weighted average price of the Company's common shares listed on the New York Stock Exchange.

As at December 31, 2019, the unrecognized share unit expense related to equity-classified RSUs was \$2,455,000, which is expected to be recognized over a weighted average period of 1.2 years.

##### *DSUs*

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

Fair values of DSUs are estimated on grant date and at each reporting date using the 20-day volume weighted average price of the Company's common shares listed on the New York Stock Exchange. 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.

## Notes to the Consolidated Financial Statements

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

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### 24. Share-based payments (continued)

#### Share unit plans (continued)

##### *DSUs (continued)*

As at December 31, 2019, the Company had a total share unit liability of \$5,130,000 (2018: \$3,714,000) in respect of share units under the DSU plans presented in current liabilities.

##### **Modifications**

The Company modified various share-based payment plans in 2017 and 2018. The nature and impact of these modifications are discussed further below.

##### Employee and Executive PSU Plan modification

On March 1, 2018, the Company modified the market and performance vesting conditions for the PSUs. Concurrently, the PSUs under the employee PSU plan were reclassified to equity awards based on the Company's settlement intentions. The weighted average fair value of the PSU awards outstanding on the modification date was \$31.35. The incremental compensation recognized as a result of the vesting condition modification was \$1,400,000. The share unit liability related to the employee PSUs, representing the portion of the fair value attributable to past service, was \$6,701,000, which was reclassified to equity on that date. No incremental compensation was recognized as a result of the employee PSU settlement modification.

##### Sign-on Grants modifications

Prior to May 1, 2017, the Company was only able to settle the SOG PSU award in cash, and as such, the plan was classified as a liability award. On May 1, 2017 (the "2017 SOG modification date"), the shareholders approved amendments to the SOG PSU grant, allowing the Company to choose whether to settle the award in cash or in shares. The Company chose to settle in shares and, accordingly:

- The shareholders authorized 150,000 shares to be issued for settlement of the SOG PSUs; and
- The share unit liability, representing the portion of the fair value attributable to past service, of \$1,421,000 was reclassified to equity.

The weighted average fair value of the SOG PSUs outstanding on the modification date was \$24.47. No incremental compensation was recognized as a result of the modification. At the time of this modification, the SOG PSUs were contingently redeemable in cash in the event of death of the participant. Consequently, the Company reclassified \$1,803,000 to temporary equity, representing the portion of the contingent redemption amount of the SOG PSUs as if redeemable on May 1, 2017, to the extent attributable to prior service.

On September 11, 2018, the Company modified the performance vesting conditions of the SOG PSUs. The modification impacted the third and fourth tranches of PSUs to vest. As a result of the modification, the actual number of units to vest will be determined by the Board of Directors of the Company based on absolute Total Shareholder Return ("TSR") performance over the period commencing on July 1, 2017, and ending on the fourth and fifth anniversaries of the grant date. Prior to this modification, the absolute TSR performance period commenced on August 11, 2014.



## Notes to the Consolidated Financial Statements

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

### 24. Share-based payments (continued)

#### Share unit plans (continued)

##### Modifications (continued)

The weighted average fair value of the PSU awards outstanding on the modification date was \$43.34. The incremental compensation recognized as a result of the vesting condition modification was \$838,000. It was determined based on the change in fair value of the equity-classified SOG PSUs immediately before and after modification. Significant assumptions used to estimate the fair value of the equity-classified SOG PSUs to determine the incremental compensation cost were as follows:

September 11, 2018	2018
Risk free interest rate	2.7 %
Expected dividend yield	1.53 %
Expected lives of the PSU	1 year
Expected volatility	29.2 %

Unrecognized compensation expense based on the fair value of the SOG PSU award on the modification has already amortized over the remaining service period.

##### RSU Modification

Prior to November 8, 2017, the Company was only able to settle the RSU awards in cash, and as such, the RSUs were classified as liability awards, which are fair valued on grant date and at each reporting date using the 20-day volume weighted average price of the Company's common shares listed on the New York Stock Exchange. On November 8, 2017 (the "RSU modification date"), the Board of Directors approved amendments to the RSU plans, allowing the Company to choose whether to settle the awards in cash or in shares for new RSUs granted after the RSU modification date. With respect to settling in shares, the Company has the option to either (i) arrange for the purchase shares on the open market on the employee's behalf based on the cash value that otherwise would be delivered, or (ii) to issue a number of shares equal to the number of units that vest, net of any applicable withholding, if any. The Company intends to settle in shares.

#### Employee share purchase plan

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

### 25. Leases

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

Year ended December 31,	2019	2018
Operating lease cost	\$ 17,878	\$ 20,547
Finance lease cost		
Amortization of leased assets	7,510	3,996
Interest on lease liabilities	800	389
Short-term lease cost	9,090	7,187
Sublease income	(559)	(904)
	<u>\$ 34,719</u>	<u>\$ 31,215</u>

## Notes to the Consolidated Financial Statements

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

### 25. Leases (continued)

#### Operating leases

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

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

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

2020	\$	16,051
2021		13,646
2022		12,266
2023		10,532
2024		8,967
Thereafter		105,935
Total future minimum lease payments	\$	167,397
less: imputed interest		(45,158)
Total operating lease liability	\$	122,239
less: operating lease liability - current		(10,917)
Total operating lease liability - non current	\$	111,322

At December 31, 2019, the weighted average remaining lease term for operating leases is 15.6 years and the weighted average discount rate is 4.2%.

#### Finance leases

The Company has entered into finance lease arrangements for certain vehicles, computer and yard equipment and office furniture. The majority of the leases have a fixed term with a remaining life of one month to six years with renewal options included in the contracts. In certain of these leases, the Company has the option to purchase the leased asset at fair market value or a stated residual value at the end of the lease term. For certain leases such as vehicle leases the Company has included renewal options in the determination of its lease liabilities.

As at December 31, 2019, the net carrying amount of computer and yard equipment and other assets under capital leases is \$23,258,000 (December 31, 2018: \$14,976,000), and is included in the total property, plant and equipment as disclosed on the consolidated balance sheets.

## Notes to the Consolidated Financial Statements

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

### 25. Leases (continued)

#### Finance leases (continued)

Assets recorded under capital leases are as follows:

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

As at December 31, 2018	Cost	Accumulated depreciation	Net book value
Computer equipment	\$ 9,428	\$ (3,992)	\$ 5,436
Yard and others	12,125	(2,585)	9,540
	<u>\$ 21,553</u>	<u>\$ (6,577)</u>	<u>\$ 14,976</u>

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

2020	\$ 8,369
2021	7,014
2022	5,160
2023	3,443
2024	1,462
Thereafter	74
Total future minimum lease payments	\$ 25,522
less: imputed interest	(1,600)
Total finance lease liability	\$ 23,922
less: finance lease liability - current	(7,586)
Total finance lease liability - non current	<u>\$ 16,336</u>

At December 31, 2019, the weighted average remaining lease term for finance leases is 3.6 years and the weighted average discount rate is 4.0%.

#### Subleases

As at December 31, 2019, the total future minimum sublease payments expected to be received under non-cancellable subleases is \$616,000 (2018: \$1,187,000; 2017: \$1,936,000). The lease expenditure charged to earnings during the year ended December 31, 2019 was \$26,968,000 (2018: \$27,734,000; 2017: \$21,956,000).

### 26. Commitments

#### Commitments for expenditures

As at December 31, 2019, the Company had committed to, but not yet incurred, \$2,697,000 in capital expenditures for property, plant and equipment and intangible assets (December 31, 2018: \$1,151,000).

## Notes to the Consolidated Financial Statements

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

### 26. Commitments (continued)

#### Commitment for inventory purchase

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

The Company has committed to purchase between 150,000 and 245,900 units of property with an expected minimum value of \$11,104,000 and up to \$51,028,000 annually to the extent that goods are available from the DLA over the initial 12 month period relating to the purchase of inventory. At December 31, 2019, the Company has purchased \$33,727,000 pursuant to the 12 month period of this contract which commenced in April 2019.

### 27. Contingencies

#### Legal and other claims

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

#### Guarantee contracts

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

At December 31, 2019, there were \$63,612,000 of assets guaranteed under contract, of which 39% is expected to be sold prior to March 31, 2020 with the remainder to be sold by June 30, 2020 (December 31, 2018: \$41,461,000 of which 51% was expected to be sold prior to the end of March 31, 2019 with the remainder to be sold by May 31, 2020).

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

### 28. Selected quarterly financial data (unaudited)

Certain comparative figures have been restated to conform to current presentation. The following is a summary of selected quarterly financial information (unaudited):

2019	Revenues	Operating income	Net income	Attributable to stockholders		
				Net income	Earnings per share	
				Basic	Diluted	
First quarter	\$ 303,429	\$ 33,588	\$ 18,172	\$ 18,164	\$ 0.17	\$ 0.17
Second quarter	393,222	77,970	54,131	54,036	0.50	0.49
Third quarter	289,796	40,160	25,272	25,266	0.23	0.23
Fourth quarter	<u>332,194</u>	<u>71,484</u>	<u>51,565</u>	<u>51,573</u>	<u>0.47</u>	<u>0.47</u>

2018	Revenues	Operating income	Net income	Attributable to stockholders		
				Net income	Earnings per share	
				Basic	Diluted	
First quarter	\$ 260,178	\$ 32,873	\$ 17,207	\$ 17,138	\$ 0.16	\$ 0.16
Second quarter	308,530	64,795	45,727	45,717	0.42	0.42
Third quarter	245,346	31,194	23,112	23,138	0.21	0.21
Fourth quarter	<u>355,972</u>	<u>56,327</u>	<u>35,460</u>	<u>35,486</u>	<u>0.33</u>	<u>0.32</u>

## Notes to the Consolidated Financial Statements

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

### 28. Selected quarterly financial data (unaudited) (continued)

2017	Revenues	Operating income	Net income (loss)	Attributable to stockholders		
				Net income (loss)	Earnings (loss) per share	
					Basic	Diluted
First quarter	\$ 199,427	\$ 23,597	\$ 10,433	\$ 10,377	\$ 0.10	\$ 0.10
Second quarter	252,613	26,888	17,713	17,635	0.16	0.16
Third quarter	227,401	16,931	10,323	10,261	0.10	0.09
Fourth quarter	291,750	40,038	36,837	36,754	0.34	0.34

### 29. Business combinations

#### IronPlanet acquisition

On May 31, 2017 (the "IronPlanet Acquisition Date"), the Company acquired 100% of the issued and outstanding shares of IronPlanet for a total fair value consideration of \$776,474,000. As at the acquisition date, cash consideration of \$772,706,000, of which approximately \$35,000,000 was placed in escrow, was paid to the former shareholders, vested option holders and warrant holders of IronPlanet. In addition to the cash consideration, non-cash consideration of \$2,330,000 was issued attributable to the assumption of outstanding IronPlanet options, \$1,771,000 was paid in cash and placed in escrow, related to customary closing adjustments, and \$333,000 was related to settlement of intercompany payable transactions. Funds placed in escrow of \$36,771,000 were released in March 2018.

A summary of the net cash flows and purchase price are detailed below

	May 31, 2017
Cash consideration paid to former equity holders	\$ 723,810
Settlement of IronPlanet's debt	36,313
Settlement of IronPlanet's transaction costs	12,583
Cash consideration paid on closing	772,706
Cash consideration paid related to closing adjustments	1,771
Less: cash and cash equivalents acquired	(95,626)
Less: restricted cash acquired	(3,000)
Acquisition of IronPlanet, net of cash acquired	\$ 675,851
Cash consideration paid on closing	\$ 772,706
Replacement stock option awards attributable to pre-combination services	4,926
Stock option compensation expense from accelerated vesting of awards attributable to post-combination services	(2,596)
Cash consideration paid relating to closing adjustments	1,771
Settlement of pre-existing intercompany balances	(333)
Purchase price	\$ 776,474

IronPlanet is a leading online marketplace for selling and buying used equipment and other durable assets and an innovative participant in the multi-billion dollar used equipment market. The acquisition expands the breadth and depth of equipment disposition and management solutions the Company can offer its customers.

The acquisition was accounted for in accordance with ASC 805, *Business Combinations*. The assets acquired and liabilities assumed were recorded at their estimated fair values at the IronPlanet Acquisition Date. Goodwill of \$568,566,000 was calculated as the fair value of consideration over the estimated fair value of the net assets acquired.

## Notes to the Consolidated Financial Statements

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

### 29. Business combinations (continued)

#### IronPlanet acquisition (continued)

##### *IronPlanet purchase price allocation*

	<u>May 31, 2017</u>
Purchase price	\$ 776,474
Assets acquired:	
Cash and cash equivalents	\$ 95,626
Restricted cash	3,000
Trade and other receivables	13,021
Inventory	600
Advances against auction contracts	4,623
Prepaid expenses and deposits	1,645
Income taxes receivable	55
Property, plant and equipment	2,381
Other non-current assets	2,551
Deferred tax assets	1,497
Intangible assets	188,000
Liabilities assumed:	
Auction proceeds payable	63,616
Trade and other payables	15,540
Deferred tax liabilities	25,935
Fair value of identifiable net assets acquired	207,908
Goodwill acquired on acquisition	\$ 568,566

~ Intangible assets consist of indefinite-lived trade names and trademarks, customer relationships with estimated useful lives of ranging from six to 13 years, and a technology platform with an estimated useful life of seven years.

#### **Goodwill**

The main drivers generating goodwill are the anticipated synergies from (1) the Company's auction expertise and transactional capabilities to IronPlanet's existing customer base, (2) IronPlanet providing existing technology to the Company's current customer base, and (3) future growth from international expansion and new Caterpillar dealers. Other factors generating goodwill include the acquisition of IronPlanet's assembled work force and their associated technical expertise.

**ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not applicable.

**ITEM 9A: CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

Management of the Company, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), have evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this Form 10-K. 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 the disclosure controls are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms.

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

**Management’s Annual Report on Internal Control Over Financial Reporting**

In accordance with Item 308 of SEC Regulation S-K, management is required to provide an annual report regarding internal controls over our financial reporting. This report, which includes management’s assessment of the effectiveness of our internal controls over financial reporting, is found below.

**Management's Report on Internal Control over Financial Reporting**

Management of the Company is responsible for establishing and maintaining adequate internal controls over financial reporting for the Company as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed under the supervision of the Company's CEO and CFO, overseen by the Company's Board of Directors and implemented by the Company's management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with U.S. generally accepted accounting principles, and the requirements of the SEC.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with policies and procedures may deteriorate.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) ("COSO"). Based on its assessment under the framework in COSO, management has concluded that internal control over financial reporting was effective as of December 31, 2019.

**Attestation Report of Registered Public Accounting Firm**

The attestation report required under this Item 9A is set forth below under the caption "Report of Independent Registered Public Accounting Firm."

**Changes in Internal Control over Financial Reporting**

Management, with the participation of the CEO and CFO, concluded that there were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of Ritchie Bros. Auctioneers Incorporated

### **Opinion on Internal Control over Financial Reporting**

We have audited Ritchie Bros. Auctioneers Incorporated's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO" criteria). In our opinion, Ritchie Bros. Auctioneers Incorporated (the "Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and our report dated February 27, 2020 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/Ernst & Young LLP  
Chartered Professional Accountants

Vancouver, Canada  
February 27, 2020

## **ITEM 9B: OTHER INFORMATION**

On February 25, 2020, the Compensation Committee approved additional incentive bonuses of \$143,437.50 to each of Sharon Driscoll and Karl Werner as part of their previously disclosed compensation arrangement in connection with their service as our Interim Co-Chief Executive Officers.

## **PART III**

### **ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information responsive to this Item is incorporated by reference to our definitive Proxy Statement for our 2020 Annual and Special Meeting of Shareholders, to be filed 120 days of December 31, 2019, pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the 2020 Proxy Statement).

We have adopted a written code of business conduct and ethics, which applies to all of our directors, officers and employees, including our principal executive officer and our principal financial and accounting officer. Our Code of Business Conduct and Ethics is available on our website, [https://www.rbauction.com/cms\\_assets/pdf/corporate-governance/09-2018-Ritchie-Bros-Code-of-Business-Conduct-and-Ethics.pdf](https://www.rbauction.com/cms_assets/pdf/corporate-governance/09-2018-Ritchie-Bros-Code-of-Business-Conduct-and-Ethics.pdf), and can be obtained by writing to Ritchie Bros. Investor Relations, 9500 Glenlyon Parkway, Burnaby, British Columbia, Canada V5J 0C6 or by sending an email to our Investor Relations department at [IR@ritchiebros.com](mailto:IR@ritchiebros.com). The information contained on our website is not incorporated by reference into this Annual Report on Form 10-K. Any amendments, other than technical, administrative or other non-substantive amendments, to our Code of Business Conduct and Ethics or waivers from the provisions of the Code of Business Conduct and Ethics for our principal executive officer and our principal financial and accounting officer will be promptly disclosed on our website following the effective date of such amendment or waiver.

### **ITEM 11: EXECUTIVE COMPENSATION**

The information responsive to this Item is incorporated by reference to our 2020 Proxy Statement.

### **ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information responsive to this Item is incorporated by reference to our 2020 Proxy Statement.

### **ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information responsive to this Item is incorporated by reference to our 2020 Proxy Statement.

### **ITEM 14: PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information responsive to this Item is incorporated by reference to our 2020 Proxy Statement.

## PART IV

### ITEM 15: EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents Filed with this Report:

1. FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	54
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Consolidated Statements of Comprehensive Income	58
Consolidated Balance Sheets	59
Consolidated Statements of Changes in Equity	60
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2. FINANCIAL STATEMENT SCHEDULES

None.

3. EXHIBITS

The exhibits listed in (b) below are filed as part of this Annual Report on Form 10-K and incorporated herein by reference.

(b) Exhibits:

**Exhibit**

**Number**

**Document**

2.1*	Agreement and Plan of Merger, dated August 29, 2016, by and among the Company, Topaz Mergersub, Inc., IronPlanet, and Fortis Advisors LLC (as representative of the indemnifying securityholders thereunder) (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on August 31, 2016)
3.1	Articles of Amalgamation and Amendments (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
3.2	Amended and Restated By-law No. 1 (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 6-K furnished on February 27, 2015)
4.1	Amended and Restated Shareholder Rights Plan Agreement dated as of February 28, 2019, between Ritchie Bros. Auctioneers Incorporated and Computershare Investor Services, Inc., as Rights Agent (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on February 28, 2019)
4.2	Description of the Company's Securities Registered Pursuant to Section 12 of the Exchange Act
4.3	Indenture, dated as of December 21, 2016, among the Company, the guarantors party thereto and US Bank National Association, as trustee, relating to the Company's 5.375% Senior Notes due 2025 (includes form of note) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 21, 2016)
10.1#	Amended and Restated Stock Option Plan, dated May 2, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 8, 2016)
10.2#	Form of Stock Option Agreement (incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
10.3#	Amended and Restated Executive Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
10.4#	Non-Executive Director Long-Term Incentive Plan (incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K filed on February 25, 2016)

- 10.5# Amended and Restated Senior Executive Restricted Share Unit Plan (incorporated by reference to Exhibit 4.1 to the Company's registration statement on Form S-8 filed on November 9, 2017)
- 10.6# Form of Restricted Share Unit Grant Agreement for Amended and Restated Senior Executive Restricted Share Unit Plan (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K filed February 26, 2018)
- 10.7# Form of Restricted Share Unit Special Grant Agreement for Amended and Restated Senior Executive Restricted Share Unit Plan (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K filed February 26, 2018)
- 10.8# Amended and Restated Employee Restricted Share Unit Plan (incorporated by reference to Exhibit 4.2 to the Company's registration statement on Form S-8 filed on November 9, 2017)
- 10.9# Form of Restricted Share Unit Grant Agreement for Amended and Restated Employee Restricted Share Unit Plan (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K filed February 26, 2018)
- 10.10# Amended and Restated Non-Executive Director Deferred Share Unit Plan (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K filed February 26, 2018)
- 10.11# Executive Nonqualified Excess Plan (United States 10/10 Program) (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.12# Amended Executive Nonqualified Excess Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 10, 2018)
- 10.13# Canada and All Non-United States Locations: 10/10 Compensation Arrangement (Canada 10/10 Program) (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.14# Senior Executive Performance Share Unit Plan (March 2015) (incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.15# Amendment No. 1 to Senior Executive Performance Share Unit Plan dated August 8, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 11, 2018)
- 10.16# Form of Performance Share Unit Grant Agreement for Senior Executive Performance Share Unit Plan (March 2015) (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.17# Employee Performance Share Unit Plan (March 2015) (incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.18# Amendment No. 1 to Employee Performance Share Unit Plan dated August 8, 2018 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on November 11, 2018)
- 10.19# Form of Performance Share Unit Grant Agreement for Employee Performance Share Unit Plan (March 2015) (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.20# 1999 Employee Stock Purchase Plan (as amended December 14, 2017) (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K filed February 26, 2018)
- 10.21# Employment Agreement between Ritchie Bros. Auctioneers (Canada) Ltd. and Ann Fandozzi, dated December 14, 2019
- 10.22# Employment Agreement between Ritchie Bros. Auctioneers (America) Inc. and Jim Barr, dated November 3, 2014 (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.23# Employment Agreement between Ritchie Bros. Auctioneers (America) Inc. and Karl Werner, dated January 1, 2015 (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.24# Employment Agreement between Ritchie Bros. Auctioneers (Canada) Ltd. and Todd Wohler, dated January 6, 2015 (incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.25# Amendment to Employment Agreement between Ritchie Bros. Auctioneers (Canada) Ltd. and Todd Wohler, dated January 20, 2015 (incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.26# Employment Agreement between Ritchie Bros. Auctioneers (America) Inc. and Kieran Holm, dated March 29, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 10, 2018)

- 10.27# Employment Agreement between Ritchie Bros. Auctioneers (Canada) Ltd. and Darren Watt, dated May 25, 2015 (incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.28# Employment Agreement between Ritchie Bros. Auctioneers (Canada) Ltd. and Sharon Driscoll, dated May 20, 2015 (incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.29# Form of Change of Control Agreement (incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.30# Form of Indemnity Agreement (incorporated by reference to Exhibit 10.38 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.31 Lease Agreement with Great-West Life Assurance Company and London Life Insurance Company dated August 12, 2008 (incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.32 Development Agreement with Great-West Life Assurance Company and London Life Insurance Company dated August 12, 2008 (incorporated by reference to Exhibit 10.40 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.33 Pre-Handover Occupancy Rental Agreement and Amendment to Development Agreement with Great-West Life Assurance Company and London Life Insurance Company dated November 25, 2009 (incorporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.34 Lease Modification Agreement with Great-West Life Assurance Company and London Life Insurance Company dated February 12, 2010 (incorporated by reference to Exhibit 10.42 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.35 Lease Confirmation and Amendment to Development Agreement with Great-West Life Assurance Company and London Life Insurance Company dated May 6, 2010 (incorporated by reference to Exhibit 10.43 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.36# Summary of Short-term Incentive Plan (incorporated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-K filed on February 25, 2016)
- 10.37# Amendment to Employment Agreement between Ritchie Bros. Auctioneers (Canada) Ltd. and Sharon Driscoll, dated February 26, 2016 (incorporated by reference to Exhibit 10.45 to the Company's Annual Report on Form 10-K filed on February 21, 2017)
- 10.38# Employment Agreement between Ritchie Bros. Auctioneers (Canada) Ltd. and Marianne Marck, dated February 29, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 9, 2016)
- 10.39\*\* Strategic Alliance and Remarketing Agreement, entered into as of August 29, 2016, by and between the Company, IronPlanet, Inc. and Caterpillar, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2016)
- 10.40 Amended and Restated Commitment Letter, dated September 16, 2016, from Goldman Sachs Bank USA and Royal Bank of Canada (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2016)
- 10.41 Credit Agreement, dated as of October 27, 2016, by and among the Company, the other borrowers and guarantors party thereto, Bank of America, N.A., as administrative agent, U.S. swing line lender and L/C issuer, Royal Bank of Canada, as Canadian swing line lender and L/C issuer, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed on November 4, 2016)
- 10.42 First Amendment, dated as of January 17, 2017, to Credit Agreement, dated as of October 27, 2016, by and among the Company, the other borrowers and guarantors party thereto, Bank of America, N.A., as administrative agent, U.S. swing line lender and L/C issuer, Royal Bank of Canada, as Canadian swing line lender and L/C issuer, and the other lenders party thereto (incorporated by reference to Exhibit 10.50 to the Company's Annual Report on Form 10-K filed on February 21, 2017)

10.43#	IronPlanet, Inc. 1999 Stock Plan (incorporated by reference to Exhibit 4.1 to the Company's registration statement on Form S-8 filed on June 1, 2017)
10.44#	Form of Stock Option Agreement for IronPlanet, Inc. 1999 Stock Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on August 8, 2017)
10.45#	IronPlanet Holdings, Inc. 2015 Stock Plan (incorporated by reference to Exhibit 4.2 to the Company's registration statement on Form S-8 filed on June 1, 2017)
10.46#	Form of Stock Option Agreement for IronPlanet Holdings, Inc. 2015 Stock Plan (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on August 8, 2017)
10.47#	Form of Ritchie Bros. Auctioneers Incorporated Stock Option Assumption Notice (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed on August 8, 2017)
10.48#	Employment Agreement between Ritchie Bros. Auctioneers (America) Inc. and Douglas Feick, dated August 29, 2016 (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed on August 8, 2017)
10.49#	Employment Agreement between Ritchie Bros. Auctioneers (America) Inc. and James Jeter, dated August 28, 2016 (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed on August 8, 2017)
21.1	List of Company Subsidiaries
23.1	Consent of Ernst & Young LLP
31.1	Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page for the Company's Annual Report on Form 10-K for the year ended December 31, 2019, formatted in Inline XBRL

# Indicates management contract or compensatory plan or arrangement.

\* Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant will furnish copies of any such schedules to the U.S. Securities and Exchange Commission upon request.

\*\* Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment and have been filed separately with the U.S. Securities and Exchange Commission.

#### ITEM 16: FORM 10-K SUMMARY

Not applicable.



**DESCRIPTION OF THE REGISTRANT'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF THE  
SECURITIES EXCHANGE ACT OF 1934**

As of December 31, 2019, Ritchie Bros. Auctioneers Incorporated (“**Ritchie Bros.**,” the “**Company**,” “**we**,” “**us**” and “**our**”) had two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”): our common shares, our common share purchase rights and our restricted share units.

**DESCRIPTION OF COMMON SHARES**

The description below summarizes the general terms of our common shares. This section is a summary, and it does not describe every aspect of our common shares. This summary is subject to and qualified in its entirety by reference to our Articles of Amalgamation and Amendments (the “**Articles**”) and our Amended and Restated By-law No. 1 (“**By-law No. 1**”), each of which is incorporated by reference into an exhibit to our most recent Annual Report on Form 10-K. We encourage you to read our Articles and By-law No. 1 for additional information.

**Authorized Shares**

The Company is authorized to issue an unlimited number of common shares without par value (each a “**Common Share**” and, collectively, the “**Common Shares**”). As of December 31, 2019, there were 109,337,781 Common Shares outstanding. All outstanding Common Shares are fully paid and non-assessable.

**Voting Rights**

Holders of Common Shares are entitled to receive notice of and to attend all shareholder meetings and are entitled to one vote for each share held on all matters submitted to a vote of the shareholders, including the election of directors. The Company’s Board of Directors (the “**Board**”) is not classified and each director is elected annually. Accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all of the directors standing for election. The Articles do not provide for cumulative voting in the election of directors.

**Dividends and Other Distributions**

Subject to preferences that may be applicable to any preferred shares outstanding at the time, holders of Common Shares are entitled to receive ratably such dividends, if any, as may be declared from time to time by the Board out of funds legally available therefor.

**Liquidation Rights**

In the event of a liquidation, dissolution or winding up of Ritchie Bros., holders of Common Shares are entitled to share ratably in all assets remaining after payment of liabilities of Ritchie Bros. and the liquidation preferences, if any, of any outstanding preferred shares.

**Other Provisions**

Our Common Shares have no sinking fund provisions or pre-emptive, subscription, redemption or conversion rights.

**Preferred Stock**

Our articles authorize our Board to determine the designations, rights and restrictions to be attached to, and to issue an unlimited number of, junior preferred shares and senior preferred shares. The rights, preferences and privileges of holders of Common Shares are subject to, and may be adversely affected by, the rights of the holders of any series of preferred shares which Ritchie Bros. may designate and issue in the future. As of December 31, 2019, there were no preferred shares issued or outstanding.



## Change in Control

Certain provisions of our Articles and By-law No. 1, as well as certain provisions of the Canada Business Corporations Act (the “CBCA”) and applicable Canadian securities law, could discourage potential acquisition proposals, delay or prevent a change in control or materially adversely impact the price that certain investors might be willing to pay for our Common Shares. Our Articles authorize our Board to determine the designations, rights and restrictions to be attached to, and to issue an unlimited number of, junior preferred shares and senior preferred shares.

By-law No. 1 contain provisions establishing that shareholders must give advance notice to us in circumstances where nominations of persons for election to our Board are made by our shareholders other than pursuant to either a requisition of a meeting made in accordance with the provisions of the CBCA or a shareholder proposal made in accordance with the provisions of the CBCA.

Among other things, these advance notice provisions set a deadline by which shareholders must notify us in writing of an intention to nominate directors for election to the Board prior to any shareholder meeting at which directors are to be elected and set forth the information required in this notice for it to be valid.

Our Board has adopted a shareholder rights plan, as described below in the section “Description of Common Share Purchase Rights”, which may impose a significant penalty on any person commencing a takeover bid that would result in the offeror becoming the beneficial owner of 20% or more of our outstanding Common Shares.

## Exchange Controls

Canada has no system of exchange controls. There are no Canadian restrictions on the repatriation of capital or earnings of a Canadian public company to non-resident investors. There are no laws in Canada or exchange restrictions affecting the remittance of dividends, profits, interest, royalties and other payments to U.S. Resident Holders (as defined below) of our Common Shares, except as discussed in “Certain Canadian Federal Income Tax Considerations for U.S. Residents” below.

There is no limitation imposed by the laws of Canada or by our organizational documents on the right of a non-resident to hold or vote our Common Shares, other than discussed below.

## Competition Act

Limitations on the ability to acquire and hold our Common Shares may be imposed by the *Competition Act* (Canada). This legislation permits the Commissioner of Competition (the “**Commissioner**”) to review any acquisition or establishment, directly or indirectly, including through the acquisition of shares, of control over or of a significant interest in us. This legislation grants the Commissioner jurisdiction, for up to one year after the acquisition has been substantially completed, to seek a remedial order, including an order to prohibit the acquisition or require divestitures, from the Canadian Competition Tribunal, which order may be granted where the Competition Tribunal finds that the acquisition substantially prevents or lessens, or is likely to substantially prevent or lessen, competition.

This legislation also requires any person or persons who intend to acquire more than 20% of our voting shares or, if such person or persons already own more than 20% of our voting shares prior to the acquisition, more than 50% of our voting shares, to file a notification with the Canadian Competition Bureau if certain financial thresholds are exceeded. Where a notification is required, unless an exemption is available, the legislation prohibits completion of the acquisition until the expiration of the applicable statutory waiting period, unless the Commissioner either waives or terminates such waiting period.

## Investment Canada Act

The *Investment Canada Act* requires each “non-Canadian” (as defined in the *Investment Canada Act*) who acquires “control” of an existing “Canadian business”, to file a notification in prescribed form with the responsible federal government department or departments not later than 30 days after closing, provided the acquisition of control is not a reviewable transaction by Canadian authorities. Subject to certain exemptions, a transaction that is reviewable under the *Investment Canada Act* may not be implemented until an application for review has been filed and the responsible Minister of the federal cabinet has determined that the investment is likely to be of “net benefit to Canada” taking into account certain factors set out in the *Investment Canada Act*. Under the *Investment Canada Act*, an investment in our Common Shares by a non-Canadian who is either: (a) a WTO investor (i.e., controlled ultimately by nationals or permanent residents of World Trade Organization member countries, including the United States) or (b) a trade agreement investor (i.e., controlled ultimately by nationals or permanent residents of countries with whom Canada has a trade agreement, including the United States) but who is not a state-owned enterprise, would be reviewable only if it were an investment to acquire control of us pursuant to the *Investment Canada Act* and our enterprise value was equal to or greater than specified amounts, which vary annually. It is expected that, for 2020, the specified review threshold amounts for WTO investors and trade agreement investors who are not state-owned enterprises are \$1.075 billion and \$1.613 billion in enterprise value, respectively.

### **Certain Canadian Federal Income Tax Considerations for U.S. Residents**

The following summarizes certain Canadian federal income tax consequences generally applicable under the Income Tax Act (Canada) and the regulations enacted thereunder (collectively, the “**Canadian Tax Act**”) and the Canada-U.S. Income Tax Convention (1980) (the “**Convention**”) to the holding and disposition of common shares.

This summary is restricted to holders of common shares each of whom, at all material times for the purposes of the Canadian Tax Act and the Convention, (i) is resident solely in the U.S., (ii) is entitled to the full benefits of the Convention, (iii) holds all common shares as capital property, (iii) holds no common shares that are “taxable Canadian property” (within the meaning of the Canadian Tax Act) of the holder, (iv) deals at arm’s length with and is not affiliated with Ritchie Bros., (v) does not and is not deemed to use or hold any common shares in a business carried on in Canada, and (vi) is not an “authorized foreign bank” (as defined in the Canadian Tax Act) or an insurer that carries on business in Canada and elsewhere (each such holder, a “**U.S. Resident Holder**”).

Certain U.S.-resident entities that are fiscally transparent for U.S. federal income tax purposes (including limited liability companies) may not be regarded by the Canada Revenue Agency (“**CRA**”) as entitled to the benefits of the Convention. Members of or holders of an interest in such an entity that holds common shares should consult their own tax advisers regarding the extent, if any, to which the CRA will extend the benefits of the Convention to the entity in respect of its common shares.

Generally, a U.S. Resident Holder’s common shares will be considered to be capital property of a U.S. Resident Holder provided that the U.S. Resident Holder acquired the common shares as a long-term investment; is not a trader or dealer in securities; did not acquire, hold or dispose of the common shares in one or more transactions considered to be an adventure or concern in the nature of trade; and does not hold the common shares as inventory in the course of carrying on a business.

This summary is based on the provisions of the Canadian Tax Act and the Convention in effect on the date hereof, all specific proposals to amend the Canadian Tax Act and Convention publicly announced by or on behalf of the Minister of Finance (Canada) on or before the date hereof (the “**Tax Proposals**”), and the current published administrative and assessing policies of the CRA. It is assumed that the Tax Proposals will be enacted as currently proposed, and that there will be no other material change to any applicable law or administrative or assessing practice, whether by judicial, legislative, governmental or administrative decision or action, although no assurance can be given in these respects. Except as otherwise expressly provided, this summary does not take into account any provincial, territorial or foreign tax considerations, which may differ materially from those set out herein.

This summary is of a general nature only and it is not intended to be, nor should it be construed to be, legal or tax advice to any holder of common shares, and no representation with respect to Canadian federal income tax

consequences to any holder of common shares is made herein. Accordingly, holders of common shares should consult their own tax advisers with respect to their individual circumstances.

### **Disposition of Common Shares**

A U.S. Resident Holder will not be subject to tax under the Canadian Tax Act in respect of any capital gain realized by such U.S. Resident Holder on a disposition of common shares unless the common shares constitute “taxable Canadian property” (within the meaning of the Canadian Tax Act) of the U.S. Resident Holder at the time of disposition and the U.S. Resident Holder is not entitled under the Convention to an exemption from Canadian tax on the gain.

Generally, a U.S. Resident Holder’s common shares will not constitute “taxable Canadian property” of the U.S. Resident Holder at a particular time at which the common shares are listed on a “designated stock exchange” (which currently includes the TSX and NYSE) unless at any time during the 60-month period immediately preceding a disposition both of the following conditions are true:

(i) the U.S. Resident Holder, any one or more persons with whom the U.S. Resident Holder does not deal at arm’s length, or any partnership in which the holder or persons with whom the holder did not deal at arm’s length holds a membership interest directly or indirectly through one or more partnerships, alone or in any combination, owned 25% or more of the issued shares of any class or series of our share capital; and

(ii) more than 50% of the fair market value of the common shares was derived directly or indirectly from, or from any combination of, real or immovable property situated in Canada, “Canadian resource properties” (as defined in the Canadian Tax Act), “timber resource properties” (as defined in the Canadian Tax Act), or options in respect of, interests in or civil law rights in, such properties, whether or not such properties exist.

In certain circumstances set out in the Canadian Tax Act, a common share may be deemed to be “taxable Canadian property” for purposes of the Canadian Tax Act.

Even if the common shares constitute “taxable Canadian property” to a U.S. Resident Holder, under the Convention, such a U.S. Resident Holder will not be subject to tax under the Canadian Tax Act on any capital gain realized by such holder on a disposition of such common shares, provided the value of such common shares is not derived principally from real property situated in Canada (within the meaning of the Convention).

*U.S. Resident Holders whose shares may be taxable Canadian property should consult their own tax advisors.*

### **Dividends on Common Shares**

Under the Canadian Tax Act, dividends on shares paid or credited, or deemed to be paid or credited, to a non-resident of Canada (or amounts paid or credited on account, or in lieu of payment of, or in satisfaction of, dividends) will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividends (subject to reduction under the provisions of any applicable tax treaty). Under the Convention, a U.S. Resident Holder that beneficially owns the dividends will generally be subject to Canadian withholding tax at the rate of 15% of the gross amount of such dividends unless the beneficial owner is a company which owns (or is deemed under the Convention to own) at least 10% of the voting shares of Ritchie Bros. at that time, in which case the rate of Canadian withholding tax is generally reduced to 5%.

### **DESCRIPTION OF COMMON SHARE PURCHASE RIGHTS**

On February 27, 2019, the Company and Computershare Investor Services, Inc. (the “**Rights Agent**”) amended and restated the Shareholder Rights Plan Agreement dated as of February 22, 2007 (as amended by amending agreement between the Company and Rights Agent dated April 5, 2007) (as so amended and restated, the “**Rights Plan**”). This summary of the common share purchase rights as set forth in the Rights Plan is subject to and qualified in its entirety

by reference to the Rights Plan, which is incorporated by reference into an exhibit to our most recent Annual Report on Form 10-K.

### **Overview**

Our Board has adopted a shareholder rights plan, pursuant to which we issued one right in respect of each common share outstanding (each a “**Right**” and, collectively, the “**Rights**”). Under the Rights Plan, following a transaction in which any person becomes an “acquiring person” as defined in the Rights Plan, each right will entitle the holder to receive a number of common shares provided in the Rights Plan. The purposes of the Rights Plan are (i) to provide our Board time to consider value-enhancing alternatives to a take-over bid and to allow competing bids to emerge; (ii) to ensure that shareholders are provided equal treatment under a take-over bid; and (iii) to give adequate time for shareholders to properly assess a take-over bid without undue pressure. The Rights Plan can potentially impose a significant penalty on any person commencing a takeover bid that would result in the offeror becoming the beneficial owner of 20% or more of our outstanding common shares.

### **Issue of Rights**

The Company declared the issuance of one Right in respect of each Common Share issued after February 22, 2007 (the “**Record Time**”) but prior to the earliest of the Separation Time (as defined below) and the redemption of the Rights pursuant to the Rights Plan or termination of the Rights Plan as described below.

### **Rights Certificates, Trading and Transferability**

Before the Separation Time, the Rights will be evidenced by the certificates representing Common Shares and will not be transferable separate from the Common Shares. Accordingly, the surrender for transfer of any certificate representing Common Shares will also constitute the surrender for transfer of the Rights associated with such Common Shares. From and after the Separation Time, the Rights will be evidenced by separate Rights certificates.

### **Acquiring Person**

An Acquiring Person is a person that Beneficially Owns (as defined in the Rights Plan) 20% or more of the outstanding common shares. An Acquiring Person does not, however, include the Company or any subsidiary of the Company, or any person that becomes the Beneficial Owner (as defined in the Rights Plan) of 20% or more of the Common Shares as a result of certain exempt transactions. These exempt transactions include where any person becomes the Beneficial Owner of 20% or more of the Common Shares as a result of, among other things:

- specified acquisitions of securities of the Company;
- acquisitions pursuant to a Permitted Bid or Competing Permitted Bid (as described below);
- specified distributions of securities of the Company; and
- certain other specified exempt acquisitions.

An Acquiring Person also does not include any person that owned 20% or more of the outstanding common shares at the Record Time; provided, however, that this exception shall cease to be applicable if that person increases its percentage interest in the Common Shares by more than 1% other than pursuant to one of the previously mentioned transactions, as well as if that person ceases to own 20% or more of the outstanding Common Shares at any time after the Record Time.

### **Separation Time**

Rights are not exercisable before the Separation Time. “**Separation Time**” means, subject to certain exceptions, the close of business on the tenth trading day after the earliest of:

- the first date of public announcement that a person has become an Acquiring Person, as defined below (the “**Stock Acquisition Date**”);

- the date of the commencement of, or first public announcement of, the intent of any person (other than the Company or any of its subsidiaries) to commence a Take-over Bid, as defined in the Rights Plan (other than a Permitted Bid or a Competing Permitted Bid, as defined below), which is generally an offer for outstanding Common Shares that could result in the offeror becoming the beneficial owner of 20% or more of the Company's outstanding Common Shares; and
- the date on which a Permitted Bid or Competing Permitted Bid ceases to be such; or such later time as may be determined by the Board, in good faith, provided that if any bid referred to above expires or is cancelled, terminated or otherwise withdrawn prior to the Separation Time, such offer shall be deemed never to have been made.

Exercising Rights at such time until the tenth trading day after the first public announcement of the occurrence of a “**Flip-in Event**” (as described below) will entitle the holder to purchase one common share at the exercise price (the “**Exercise Price**”), which shall equal three times the market price per Common Share determined at the Separation Time, subject to subsequent adjustment in accordance with the Rights Plan.

### **Exercise of Rights**

After the close of business on the tenth trading day after the first public announcement of the occurrence of a “Flip-in Event”, which is a transaction or event pursuant to which any person becomes an Acquiring Person, each Right will entitle the holder thereof to receive upon exercise of the Right that number of Common Shares equal to twice the Exercise Price. However, any Rights beneficially held by an Acquiring Person, including its affiliates, associates and joint actors, or the transferee of any such person, will become null and void. Accordingly, such persons will be unable to transfer or exercise any Rights.

Until a Right is exercised, the holder of the Right will have no rights as a Company shareholder solely with respect to that Right.

In lieu of the issuance of fractional shares upon the issuance of any Rights, the Company will make cash payments based on the market price of such shares in amounts exceeding \$10.00. Acquisitions that require shareholder approval or for which the Board has waived application of the Rights Plan as described below, or acquisitions pursuant to a Permitted Bid or a Competing Permitted Bid are among the transactions that do not constitute “Flip-in Events”.

### **Permitted Bids**

Under the Rights Plan, those bids that meet certain requirements intended to protect the interests of all shareholders are deemed to be “Permitted Bids”. Permitted Bids are offers to acquire Common Shares made by way of a take-over circular and where the Common Shares subject to the offer (together with shares owned by the offeror and its affiliates, associates and joint actors) constitute 20% or more of the outstanding Common Shares, and which also comply with the following conditions:

- the bid is made to all registered holders of Common Shares (other than Common Shares owned by the offeror);
- the bid provides that no Common Shares will be taken up or paid for unless at such date more than 50% of the outstanding Common Shares held by shareholders other than the offeror and certain related parties have been deposited pursuant to the bid and not withdrawn;
- the bid provides that no Common Shares will be taken up or paid for pursuant to the bid before the close of business on the date that is not less than 105 days following the date of the take-over bid or such shorter period that a take-over bid that is not exempt from the general take-over bid requirements of applicable Canadian securities laws must remain open for deposits of securities thereunder, in the applicable circumstances at the time;
- the bid provides that any Common Shares may be deposited to and withdrawn from the take-over bid at any time before such Common Shares are taken up and paid for; and

- the bid provides that, in the event that more than 50% of the outstanding Common Shares are deposited and not withdrawn as described in the second bullet point above, the offeror will make a public announcement of that fact and the bid shall remain open for an additional ten business days from the date of such announcement for the deposit and tender of additional Common Shares.

A “**Competing Permitted Bid**” is a take-over bid that is made after a Permitted Bid or other Competing Permitted Bid has been made and prior to the expiration of such prior bid, and that satisfies the definition of “Permitted Bid” except that Common Shares under such bid may not be taken up or paid for until a date that is no earlier than the minimum number of days the take-over bid must remain open for deposits of securities thereunder pursuant to applicable Canadian securities laws after the commencement of the Competing Permitted Bid.

### **Protection Against Dilution**

The Rights Plan contains detailed provisions regarding adjustments to the exercise price, the number and nature of the securities that may be purchased upon exercise of Rights and the number of Rights outstanding to prevent dilution in the event of certain declarations of dividends, subdivisions or consolidations of outstanding common shares, issuances of Common Shares (or other securities or rights) in respect of or in lieu of or in exchange for existing Common Shares or other changes in the common shares.

### **Redemption**

At any time prior to the occurrence of a Flip-in Event, the Board may (subject to the prior consent of shareholders by a majority vote), at its option, elect to redeem all but not less than all of the then-outstanding Rights at a redemption price of \$0.000001 per Right, subject to adjustment.

### **Waiver**

The Board, acting in good faith, may waive application of the Rights Plan to any prospective Flip-In Event which would occur by reason of a take-over bid made by a take-over bid circular to all registered holders of common shares. However, if the Board waives the Rights Plan for a particular bid, it will be deemed to have waived the Rights Plan for any other take-over bid made by take-over bid circular to all registered holders of common shares before the expiry of the first bid. If the Board proposes such a waiver, the Board may extend the Separation Time to a date after but not more than 10 Business Days after the meeting of shareholders called to approve such waiver.

The Board may also waive the application of the Rights Plan for any Flip-In Event if it has determined that the Acquiring Person became an Acquiring Person through inadvertence, conditional upon such person reducing its beneficial ownership below 20% of the Company’s outstanding common shares, generally within 14 days of the Board making such determination.

### **Amendments**

Except for minor amendments to correct any clerical or typographical errors and amendments to maintain the validity of the Rights Plan as a result of a change of law or regulatory requirements, majority shareholder approval is required for amendments to the Rights Plan before the Separation Time, after which the approval of holders of Rights is required.

### **Term**

The Rights Plan was approved at the annual meeting of the Company’s shareholders held on May 7, 2019, and will expire at the termination of the Company’s annual meeting in 2022 unless extended upon reconfirmation. For the term of the Rights Plan to be extended, the Rights Plan must be reconfirmed by a resolution passed by a majority of the votes cast by all holders of Common Shares who vote in respect of such reconfirmation at every third annual meeting of shareholders of the Company.

### **Exchange Controls**

There is no limitation under the laws of Canada or in our organizational documents on the right of foreigners to hold our Rights, except that the Rights Plan provides that neither the Company nor the Rights Agent Company will be required to issue or deliver Rights or securities issuable on exercise of Rights to persons who are citizens, residents or nationals of any jurisdiction other than Canada or the United States of America, in which such issue or delivery would be unlawful without registration of the relevant Persons or securities for such purposes.

### **Canadian Federal Income Tax Consequences for U.S. Residents**

The following is, as of the date hereof, a general summary of the principal Canadian federal income tax considerations under the Canadian Tax Act and the Convention generally applicable to holders of common shares of holding Rights pursuant to the Rights Plan.

This summary is restricted to U.S. Resident Holders each of whom, at all material times for the purposes of the Canadian Tax Act and the Convention, (i) will hold all Rights as capital property, (ii) holds no Rights that are “taxable Canadian property” (within the meaning of the Canadian Tax Act) of the holder, and (iii) does not and is not deemed to use or hold any Rights in a business carried on in Canada (each such holder, a “**U.S. Resident Rights Holder**”).

This summary is based upon the provisions of the Canadian Tax Act and the Convention in force as of the date hereof, the Tax Proposals, and the current published administrative policies and assessing practices of the Canada Revenue Agency. It is assumed that the Tax Proposals will be enacted as currently proposed, and that there will be no other material change to any applicable law or administrative or assessing practice, whether by judicial, legislative, governmental or administrative decision or action, although no assurance can be given in these respects. Except as otherwise expressly provided, this summary does not take into account any provincial, territorial or foreign tax considerations, which may differ materially from those set out herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or income tax advice to any particular holder. Holders should consult their own income tax advisors with respect to the tax consequences applicable to them of holding, exercising or otherwise disposing of Rights based on their own particular circumstances and any applicable federal, provincial, territorial or foreign legislation.

Generally, a U.S. Resident Rights Holder’s Rights will be considered to be capital property to such holder provided that the holder acquired the common shares and Rights as a long-term investment; is not a trader or dealer in securities; did not acquire, hold or dispose of the common shares or Rights in one or more transactions considered to be an adventure or concern in the nature of trade; and does not hold the common shares or Rights as inventory in the course of carrying on a business.

Generally, a U.S. Resident Rights Holder’s Rights will not constitute “taxable Canadian property” of the holder at a particular time at which the common shares are listed on a “designated stock exchange” (which currently includes the TSX and NYSE) unless at any time during the 60-month period immediately preceding a disposition both of the following conditions are true:

(i) the U.S. Resident Rights Holder, any one or more persons with whom the U.S. Resident Rights Holder does not deal at arm’s length, or any partnership in which the holder or persons with whom the holder did not deal at arm’s length holds a membership interest directly or indirectly through one or more partnerships, alone or in any combination, owned 25% or more of the issued shares of any class or series of our share capital, or owned Rights to acquire 25% or more of such class or series; and

(ii) more than 50% of the fair market value of the common shares was derived directly or indirectly from, or from any combination of, real or immovable property situated in Canada, “Canadian resource properties” (as defined in the Canadian Tax Act), “timber resource properties” (as defined in the Canadian Tax Act), or options in respect of, interests in or civil law rights in, such properties whether or not such properties exist.

In certain circumstances set out in the Canadian Tax Act, a Right may be deemed to be “taxable Canadian property” for purposes of the Canadian Tax Act.

Pursuant to the Canadian Tax Act, a U.S. Resident Rights Holder will not be subject to tax under the Canadian Tax Act on the ownership, exercise or other disposition of Rights.

Even if the Rights constitute taxable Canadian property to a U.S. Resident Rights Holder, under the Convention such U.S. Resident Rights Holder will not be subject to tax under the Canadian Tax Act on any capital gains realized by such holder on a disposition of such Rights, provided the value of such Rights is not derived principally from real property situated in Canada (within the meaning of the Convention).

*U.S. Resident Rights Holders whose Rights may be taxable Canadian property should consult their own tax advisors.*

## **DESCRIPTION OF RESTRICTED SHARE UNITS**

The description below summarizes the general terms of our restricted share units. This section is a summary, and it does not describe every aspect of our restricted share units. This summary is subject to and qualified in its entirety by reference to our Articles and By-law No. 1, each of which is incorporated by reference into an exhibit to our most recent Annual Report on Form 10-K. We encourage you to read our Articles and By-law No. 1 for additional information.

### **Overview**

This description relates to restricted share units (the “**RSUs**”) representing certain rights to earn a cash payment or a specified number of Common Shares of Ritchie Bros. following an applicable vesting period. The RSUs may be issued from time to time under the Company’s Amended and Restated Senior Executive Restricted Share Unit Plan, as amended, (the “**Executive RSU Plan**”) and Amended and Restated Employee Restricted Share Unit Plan, as amended, (the “**Employee RSU Plan**” and together with the Executive RSU Plan, the “**RSU Plans**”).

### **Summary of the Restricted Share Units and the RSU Plans**

The following is a summary of the material terms of the RSUs granted under the RSU Plans. The following does not purport to be a complete description of the RSU Plans and is qualified in its entirety by reference to the full text of the RSU Plans.

### **Eligibility**

The RSU Plans provide for the grant or award of RSUs which entitle participants, following vesting of the RSUs, to payment either in the form of Common Shares or cash to any person designated by the Board or by the compensation committee of the Board (the “**Compensation Committee**”) who is an employee of the Company or any affiliate of the Company.

### **Number of Authorized Shares**

The aggregate number of Common Shares that may be issued or delivered under the RSU Plans is 800,000 Common Shares.

### **Administration**

Unless otherwise determined by the Board, the RSU Plans will be administered by the Compensation Committee.

### **Type of Award**



The Board or the Compensation Committee may grant RSUs under the RSU Plans that will, at the election of the Compensation Committee, following vesting, entitle the recipient to: (i) a specified amount of cash, net of all applicable withholding taxes; (ii) a payment that, net of all applicable withholding taxes, will be satisfied by the issuance of Common Shares; or (iii) a payment that, net of all applicable withholding taxes, will be applied to open market purchases of Common Shares on behalf of participants; provided that this method of settlement is not available for any officer or director subject to Section 16 of the Securities Exchange Act of 1934, as amended. The payment to be received, or applied to the purchase or issuance of Common Shares, is based on the number of vested RSUs multiplied by the fair market value of one Common Share as at the date of vesting. Where the payment, net of applicable withholding taxes, is to be applied to the issuance of Common Shares, the Common Shares to be issued are to be issued at an issue price equal to the fair market value of one Common Share as at the date of vesting. The foregoing is subject to provisions of the RSU Plans which may result, if the participant or the Company may be in possession of undisclosed material information, or the ability to trade in securities of the Company may be restricted under any insider or securities trading policy, in the fair market value of Common Shares instead being determined as at a subsequent date where that is no longer the case. Each award or grant of RSUs will be evidenced by a written agreement between the Company and the participant or a letter issued by the Company to a participant.

Whenever a dividend is paid on the Common Shares, additional RSUs will be credited to a participant's account. The number of such additional RSUs will be calculated by dividing the dividend that would have been paid to the participant if the participant's RSUs as at the record date for the dividend had been Common Shares, whether vested or not vested, by the fair market value of Common Shares on the date on which the dividend is paid, with fractional RSUs calculated and rounded to two decimal places.

The RSU Plans do not contemplate any financial assistance being provided to participants.

#### **Terms of RSU Grants**

Unless otherwise determined by the Compensation Committee, the RSUs granted to a participant will vest at the time and in the manner determined by the Board or the Compensation Committee at the time of the award or grant and as set out in the grant agreement or grant letter evidencing the award.

Subject to the right of a participant to designate beneficiaries entitled to receive benefits under the RSU Plans following the death of the participant, RSUs are not assignable or transferable by a participant other than by will or the laws of descent and distribution. Due to the restrictions on transferability imposed by the RSU Plans, there is no market or method that would allow an RSU participant to receive any consideration or compensation for their RSUs prior to the time of vesting.

RSUs that fail to vest in accordance with the RSU Plans will be cancelled as of the date of the failure to vest. Upon failure to vest, the participant will have no further right, title or interest in or to such RSUs.

#### **Adjustment of Common Shares Subject to the RSU Plans**

In the event of any share dividend, subdivision or consolidation of the Common Shares, reclassification or conversion of the Common Shares, or any combination or exchange of securities, merger, consolidation, recapitalization, amalgamation, plan of arrangement, reorganization, spin off or other distribution of the Company's assets to shareholders which the Compensation Committee determines affects the Common Shares such that an adjustment is appropriate to prevent dilution or enlargement of participants' rights under the RSU Plans, then, subject to any relevant resolutions of the Board, the Compensation Committee may, in its discretion, make adjustments as it deems appropriate to preserve proportionately the interests of participants as a result of the change.

#### **Limitations with Respect to Grants**

In addition to the limits on the aggregate number of Common Shares that may be issued or delivered pursuant to open market purchases under the RSU Plans, the number of Common Shares issuable to insiders pursuant to the plan and any of the Company's other securities compensation arrangements may not exceed 10% of the issued and outstanding Common Shares, and the number of Common Shares issued to insiders within any one year period under the RSU Plans and any of the Company's other securities compensation arrangements may not exceed 10% of the issued and

outstanding Common Shares. For these purposes, “insiders” has the meaning given to that term in the *Securities Act (Ontario)* who are “reporting insiders” under applicable Canadian securities laws and includes directors and certain officers of the Company, significant shareholders, associates and affiliates. The RSU Plans do not provide for a maximum number of Common Shares that may be issued or delivered pursuant to open market purchases to an individual pursuant to the RSU Plans or any other share compensation arrangement (expressed as a percentage or otherwise).

### **Cessation**

Unless the Board or Compensation Committee otherwise determines, in the event of termination of a participant’s employment by the Company or an affiliate:

- without cause, including following the incapacity of the participant, the participant will be entitled to receive payment in respect of RSUs recorded in the participant’s account as at the last day of active employment that subsequently vest, on a prorated basis to reflect the portion of the vesting period during which the participant was employed;
- for cause, unvested RSUs will not vest and will be forfeited;
- as a result of voluntary resignation by the participant (other than retirement), unvested RSUs will not vest and will be forfeited;
- as a result of retirement of the participant (when the participant is at least 55 years old), the participant will be entitled to receive payment in respect of RSUs recorded in the participant’s RSU account as at the last day of active employment that subsequently vest; and
- upon the death of a participant, the beneficiary or legal representatives of the participant will be entitled to receive payment in respect of RSUs recorded in the participant’s account as at the date of death that vest thereafter, which payment shall be payable by a lump sum cash payment, net of applicable tax withholding.

### **Consequences of a Change of Control**

With respect to RSUs granted under the Executive RSU Plan, if a participant’s employment with the Company or a subsidiary of the Company is terminated (i) by the Company or subsidiary, other than for cause, upon a change of control or within two years following a change of control or (ii) by the participant for good reason, as defined in the Executive RSU Plan, upon a change of control or within one year following a change of control, then all RSUs recorded in the participant’s RSU account as at the date of termination shall vest, and the participant will be entitled to receive a cash payment in respect of all vested RSUs, net of all applicable tax withholdings, within 30 days of the date of termination.

For purposes of the Executive RSU Plan, a “change of control”, unless otherwise defined in the applicable grant agreement or grant letter, means the occurrence of any one of the following events:

- a person or group of persons acting jointly or in concert, acquiring or accumulating beneficial ownership of more than 50% of the Common Shares;
- a person or group of persons acting jointly or in concert, holding or beneficially owning at least 25% of the Common Shares and being able to change the composition of the Board by having the person’s or group of persons’ nominees elected as a majority of the Board; or
- the arm’s length sale, transfer, liquidation or other disposition of all or substantially all of the assets of the Company, over a period of one year or less, in any manner whatsoever.

The Employee RSU Plan does not provide for vesting of RSUs upon a change of control.

### **Amendment and Termination of the RSU Plans**

Subject to certain restrictions, the Board or the Compensation Committee, may, from time to time, amend, suspend or terminate either RSU Plan without the consent or approval of any participant and, except as described below, without the consent or approval of the Company's shareholders. Nonetheless, unless required by applicable laws, no amendment may adversely affect the rights of any participant at the time of the amendment with respect to RSUs credited to such participant's RSU account without the consent of the participant. Shareholder approval will be required for any amendment of either RSU Plan to:

- reduce the issue or purchase price of Common Shares issuable under the RSU Plan;
- extend the term of any RSU held under the RSU Plan where the RSUs entitle or potentially entitle the holder to be issued Common Shares under the RSU Plan;
- amend or remove the limits on the amount of grants to insiders contained in the RSU Plans;
- increase the maximum number of Common Shares issuable under the RSU Plan;
- permit non-employee directors to participate in the plan and be entitled or potentially entitled to be issued Common Shares under the RSU Plan;
- permit assignment or transfer of rights or interests under the plan to be entitled or potentially entitled to be issued Common Shares under the RSU Plan;
- amend the provisions specifying which amendments require shareholder approval; or
- amend other matters that require shareholder approval under the rules or policies of any stock exchange on which the Common Shares may be listed or posted for trading.

#### **Exchange Controls**

Canada has no system of exchange controls. There are no Canadian restrictions on the repatriation of capital or earnings of a Canadian public company to non-resident investors. There are no laws in Canada or exchange restrictions affecting the crediting to the American Employee's (as defined below) RSU account of any additional RSUs, if a dividend is paid on the Common Shares, except as discussed in "**Canadian Federal Income Tax Considerations for U.S. Residents**" below.

There are no limitations under the laws of Canada or in the Company's organizational documents on the right of foreigners to hold RSUs.

#### **Canadian Federal Income Tax Considerations for U.S. Residents**

The following is, as of the date of this Registration Statement, a summary of the principal Canadian federal income tax consequences under the Canadian Tax Act applicable to a director, officer or employee of the Company or an affiliate thereof who is awarded RSUs pursuant to the RSU Plans and who, for purposes of the Canadian Tax Act, and at all relevant times: (i) is an individual who is a non-resident of Canada for purposes of the Canadian Tax Act, is a resident of the United States for purposes of the Convention and qualifies for the full benefits of the Convention; (ii) will not use or hold (and will not be deemed to use or hold) the RSUs in, or in the course of, carrying on a business in Canada; and (iii) deals at arm's length with the Company and each affiliate thereof within the meaning of the Canadian Tax Act (an "**American Employee**"). This summary does not apply to any other participant in the RSU Plans. All such participants are urged to consult their own tax advisors having regard to their particular circumstances.

The summary is based on the current provisions of the Canadian Tax Act and the Convention, the Tax Proposals, and on the current published administrative policies and assessing practices of the CRA. It is assumed that the Tax Proposals will be enacted as proposed, no other relevant change to any applicable law will be made, and each such administrative policy and assessing practice will continue to be applied, although no assurance can be given in these respects. Unless and except to the extent otherwise expressly stated, this summary does not take into account any applicable provincial, territorial or foreign tax law consideration, which may differ significantly from the Canadian federal income tax considerations discussed in this summary. This summary assumes that, in accordance with the RSU

Plans: (i) any RSU granted to an American Employee under the Plan is in respect of services to be performed by such American Employee in the calendar year in which such RSU is granted and is in addition to and not in substitution for or in lieu of ordinary salary and wages received by such American Employee in respect of services to the Company or an affiliate thereof; and (ii) the settlement of any such RSU will occur within three years following the end of the year in which such RSU was granted, such that the particular RSU Plan will not be subject to the “salary deferral arrangement” rules under the Canadian Tax Act.

For the purposes of the Canadian Tax Act, all amounts relating to the RSUs must be expressed in Canadian dollars. Amounts denominated in a foreign currency must be converted into Canadian dollars based on exchange rates as determined in accordance with the Canadian Tax Act. Any amounts to be included in income of an American Employee may be affected by fluctuations in the relevant exchange rate.

#### Granting of RSUs

No Canadian federal income tax consequences applicable to an American Employee will arise by reason of the granting of RSUs to the American Employee, including the crediting to the American Employee’s RSU account of any additional RSUs (the “**Dividend Equivalent RSUs**”) if a dividend is paid on the Common Shares, provided that, in the case of a grant of Dividend Equivalent RSUs, none of the main purposes for such grant was to postpone any tax payable under the Canadian Tax Act.

#### Vesting of RSUs

No Canadian federal income tax consequences applicable to an American Employee will arise upon the vesting of RSUs, unless the RSUs are settled at that time, where the RSUs are subsequently settled in accordance with the provisions of the particular RSU Plan.

#### Expiry of RSUs

No Canadian federal income tax consequences applicable to an American Employee will arise upon the expiry of RSUs or their forfeiture because they fail to vest.

#### Settlement of RSUs

##### *Employment Wholly Outside Canada*

An American Employee will not be liable for Canadian federal income tax in respect of the amount of the benefit arising on settlement of the RSUs:

- equal to the fair market value of the Common Shares at such time plus any amounts withheld on account of applicable tax withholdings and, if applicable, any amounts paid by the Company on account of brokerage commissions or similar fees in connection with the purchase of such Common Shares (collectively, the “**Share Benefit**”), or
- equal to the amount of the cash payment at the time of settlement plus any amounts withheld on account of applicable tax withholdings (collectively, the “**Cash Benefit**”),

derived by him or her from employment exercised wholly outside Canada.

##### *Employment Not Wholly Outside Canada*

Where an American Employee exercises some or all of his or her employment duties within Canada, he or she will be taxable in Canada, in the year in which the Common Shares or the cash is received, on the portion of his or her Share Benefit or Cash Benefit, as applicable, arising on settlement of the RSUs as is attributable to such duties, unless one of the following exemptions under the Convention applies:

## Exhibit 4.2

- the aggregate of the amount of the Share Benefit or Cash Benefit, as applicable, and all other salaries, wages, and other similar remuneration from such employment in respect of employment exercised in the year in Canada does not exceed CAD\$10,000; or
- the American Employee is not present in Canada for a total of more than 183 days in any twelve month period beginning or ending in the year, and the remuneration is not paid by, or on behalf of, a person who is resident in Canada and is not borne by a permanent establishment in Canada.

The determination of the applicability of the exemptions under the Convention described above is complex and requires an understanding of the facts and circumstances in a particular employment situation. As a result, American Employees should seek advice from their own tax advisors in determining whether any such exemptions under the Convention may be applicable to them having regard to their own particular circumstances.

Income tax and other source deductions may be required even where the Share Benefit or Cash Benefit, as applicable, is not subject to Canadian tax pursuant to one of the above exemptions.

**EMPLOYMENT AGREEMENT**

Between:

**ANN FANDOZZI**

(the “Executive”)

And:

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

(the “Employer”)

**WHEREAS:**

- A. The Employer is in the business of asset management and disposition of industrial equipment; and
- B. The Employer and the Executive wish to enter into an employment relationship on the terms and conditions as described in this Employment Agreement (this “**Agreement**”), including the appendices to this Agreement;

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

**1. EMPLOYMENT**

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

- c. The Executive will be employed in the position of **Chief Executive Officer** in accordance with the duties and responsibilities set out in the attached **Appendix “A”**, and such other duties and responsibilities consistent with her position as may be assigned by the Board of Directors of the Employer (the “**Board**”) from time to time. The Executive will be the senior-most officer of the Employer with overall responsibility for the business and operations of the Employer.
- d. The Executive’s employment with the Employer will commence on January 6, 2020 (the “**Commencement Date**”), and the Executive’s employment hereunder will continue for an indefinite period of time until terminated in accordance with the terms of this Agreement or applicable law (the “**Term**”).
- e. On or about the Commencement Date, the Executive will be appointed as a member of the Board of Directors of Ritchie Bros. Auctioneers Incorporated (“**Parent**”). Thereafter, during the Term, the Executive will be nominated to continue as a director at each annual meeting of shareholders that occurs during the Term, for a term equal to that of other directors being nominated at such meeting.
- f. During the Term, the Executive will at all times:
  - i. well and faithfully serve the Employer, and act honestly and in good faith in the best interests of the Employer;
  - ii. devote all of the Executive’s business time, attention and abilities, and provide her reasonable best efforts, expertise, skills and talents, to the business of the Employer, except as provided in Section 2 b;
  - iii. obey and observe to the reasonable best of the Executive’s abilities all lawful orders and directives, whether verbal or written, of the Board;
  - iv. act lawfully and professionally, and exercise the degree of care, diligence and skill that a chief executive officer would exercise in comparable circumstances; and
  - v. to the reasonable best of the Executive’s abilities perform the duties and exercise the responsibilities required of the Executive under this Agreement.

**2. PRIOR COMMITMENTS AND OUTSIDE ACTIVITIES**

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

### 3. POLICIES

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

### 4. COMPENSATION

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

Compensation Element	\$US
Annual Base Salary	<b>\$900,000</b> (the “Base Salary”)
Annual Short-Term Incentive	<b>125% of Base Salary at Target</b> (the “STI Bonus”) (0% - 200% multiplier based on actual performance, with a maximum STI Bonus of 250% of Base Salary)
Annual Long-Term Incentive Grant	<b>Equal to 350% of Base Salary or such greater percentage as determined by the plan administrator</b> (the “LTI Grant”)
Target Total Annual Direct Compensation	<b>\$4,887,500</b>

- b. Except as provided herein, the structure of each annual STI Bonus will be generally consistent with those granted to the Employer’s other executives, and is subject to amendments from time to time by the Employer, provided that in order to be eligible to receive each annual STI Bonus the Executive must remain employed with Employer on January 1<sup>st</sup> of the year following the calendar year in which such STI Bonus is deemed earned for purpose of Section 409A (as defined below) (the “STI Payment Year”). In all cases, subject to Section 24 of this Agreement, each STI Bonus will be paid on or before March 31<sup>st</sup> of the applicable STI Payment Year.
- c. In the discretion of the Board after consultation with the Executive, up to 50% of each annual LTI Grant may be awarded in the form of stock options with a ten (10)-year term. Subject to Section 10 and the terms of the Change of Control Agreement (as defined below), any such options shall be scheduled to vest in equal one-third (1/3<sup>rd</sup>) installments upon the first, second and third anniversaries of the date of grant. In the discretion of the Board after consultation with the Executive, between 50% to 100% of each annual LTI Grant may be awarded in the



form of Parent performance share units, vesting on the third anniversary of the grant date based on meeting pre-established performance criteria (currently based on Earnings Growth, Net Operating Profit After Tax ROIC, and Operating Free Cash Flow per Share targets), with the number of share units that ultimately vest ranging from 0% to 200% of target based on actual performance. Each LTI Grant shall be granted to Executive by March 31<sup>st</sup> of each year, subject to compliance with applicable securities laws and regulations.

- d. Except as provided herein, the structure of each annual LTI grant will be generally consistent with those granted to the Employer's other executives, and is subject to amendments from time to time by the Employer. Each LTI Grant in the form of performance share units will be granted under the Parent Senior Executive Performance Share Unit Plan. The specific terms and conditions for the LTI Grant (including but not limited to the provisions upon termination of employment, except as modified by this Agreement) will be based on the relevant Parent Senior Executive Performance Share Unit Plan documents and may be subject to amendments from time to time by the Employer. In all cases, subject to Section 24 of this Agreement, shares earned under the LTI Grant will be paid in accordance with Section 6.6(b) of the Parent Senior Executive Performance Share Unit Plan in a manner that complies with or is exempt from Section 409A. For the avoidance of doubt, the Executive will be deemed a "U.S. Participant" under such Senior Executive Performance Share Unit Plan.
- e. Commensurate with the grant of the 2020 LTI Grant, the Executive shall be granted a stock option to purchase shares of Parent having a Value (as defined below) of US\$500,000 (the "**Sign-On Option**") under the Parent Amended and Restated Stock Option Plan. Subject to Section 10 and the terms of the Change of Control Agreement, the Sign-On Option shall be scheduled to vest as to 100% of the shares subject the Sign-On Option on the three (3)-year anniversary of the date of grant. The Sign-On Option shall remain exercisable, to the extent vested, until the later of (x) 90 days following the Executive's termination of employment, (y) if a closed trading window for Parent's shares occurs at any time during the 90 days following the Executive's termination of employment, 90 days following the opening of such trading window, or (z) such later period as provided by Parent Amended and Restated Stock Option Plan; provided, however, that in no event with the Sign-On Option be exercisable following the expiration of the option pursuant to Section 8.1(e)(1) of the Parent Amended and Restated Stock Option Plan.
- f. Commensurate with the grant of the 2020 LTI Grant, the Executive shall be granted Parent performance share units having a Value (as defined below) of US\$500,000 (the "**Sign-On PSUs**") under the Parent Senior Executive Performance Share Unit Plan. Subject to Section 10 and the terms of the Change of Control Agreement, the Sign-On PSUs shall be subject to the same terms and conditions as the LTI Grant (or portion thereof) awarded in the form of Parent performance share units to the Executive on the same date. For purposes of this Agreement, "**Value**" means, with respect to (i) the Sign-On Option, its grant date value calculated in accordance with the Black-Scholes option valuation methodology, and (ii) the Sign-on PSUs, the fair market value of the target number of shares subject thereto.
- g. Notwithstanding any other provisions in this Agreement to the contrary, the Executive will be subject to any written clawback/recoupment policy of the Employer in effect from time-to-time, allowing the recovery of incentive compensation previously paid or payable to the Executive in cases of proven misconduct or material financial restatement, whether pursuant to the requirements of Dodd-Frank Wall Street Reform and the *Consumer Protection Act*, the listing requirements of any national securities exchange on which common stock of the Employer is listed, or otherwise.

**5. BENEFITS**

- a. The Executive will be eligible to participate in the Employer’s US group benefit plans, subject to the terms and conditions of said plans and the applicable policies of the Employer and applicable benefits providers. Subject to the Executive’s eligibility, such benefits will include, without limitation, United States medical coverage satisfying the minimum essential coverage requirements under the United States *Patient Protection and Affordable Care Act*, short-term and long-term disability coverage, and term life insurance.
- b. The Executive agrees that the Employer is not, and will not be deemed to be, the insurer with respect to Employer-offered benefits for which there is a third-party insurer and, for greater certainty, the Employer will not be liable for any decision of a third-party benefits provider or insurer, including any decision to deny coverage or any other decision that affects the Executive’s benefits or insurance.
- c. The Employer will reimburse the Executive for up to US\$50,000 in 2020, and up to US\$10,000 per annum thereafter, for expenses related to professional advice concerning the completion of the Agreement, and tax planning and compliance. Reimbursement for such professional advice will be reported as a taxable benefit.
- d. The Executive will be eligible to contribute to the Employer’s US-based 401(k) savings plan pursuant to the terms of that plan.
- e. The Executive will be eligible to participate in the Employer’s Employee Share Purchase Plan, in accordance with the terms of that plan.

**6. EXPENSES**

- a. The Employer will reimburse the Executive, in accordance with the Employer’s policies, for all authorized travel and other out-of-pocket expenses actually and properly incurred by the Executive in the course of carrying out the Executive’s duties and responsibilities under this Agreement. For greater clarity, for purposes of travel reimbursement, Philadelphia, PA shall be considered the Executive’s “base location”. Personal travel between Chicago and the Executive’s base location in Philadelphia, shall be at the Executive’s personal expense.

**7. HOURS OF WORK AND OVERTIME**

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

**8. VACATION**

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

## 9. INDEMNITY AND CHANGE OF CONTROL

- a. In consideration of the Executive's employment by the Employer, the Executive and the Employer hereby agree to enter into and execute contemporaneously with this Agreement:
- i. the indemnity agreement in **Appendix "C"** to this Agreement (the "**Indemnity Agreement**"); and
  - ii. the change of control agreement in **Appendix "D"** to this Agreement (the "**Change of Control Agreement**").

## 10. TERMINATION OF EMPLOYMENT

- a. Termination for cause: The Employer may terminate the Executive's employment at any time for Cause, without any payment in lieu thereof and, except for conviction of a criminal offense as set forth in (i) below for which no notice required, subject to notice as provided herein. In this Agreement, "Cause" means:
- i. the Executive's conviction of a criminal offence that (1) involves moral turpitude, or (2) has the effect of materially injuring the reputation, business or business relationships of the Employer; or
  - ii. any act, omission, or behaviour of the Executive that constitutes cause for dismissal for "cause" at British Columbia common law.

Before any termination of Executive's employment may be considered to be for "Cause," other than as set forth in Section 10.a.i above, Executive must be provided with written notice of the grounds for such termination, and must be given an opportunity (on at least ten (10) calendar days' written notice) to present, with counsel, to the Board regarding such grounds, and an opportunity lasting thirty (30) calendar days from the later of the date of such written notice or presentation (if any) to the Board, in which to cure such grounds, and during which such grounds must not have been cured. Cause shall not include any inability or failure of the Executive to obtain a Work Authorization.

In the event of termination for Cause, all vested and unvested equity-based compensation will be governed by the terms of the relevant plan.

- b. Termination for Good Reason: The Executive may terminate her employment with the Employer for Good Reason and, in the event of Good Reason, will receive pay and benefits as if terminated by the Employer without Cause under Section 10 c., below, except as otherwise provided in the Change of Control Agreement. In this Agreement, "**Good Reason**" means (i) the Executive not being elected to the Board of Directors of Parent, or, following a Change of Control, not being elected to the Board of Directors of a publicly-traded acquiror (directly or indirectly) of the Employer or Parent, (ii) a material adverse change without the Executive's consent, to the Executive's position, authority, duties, responsibilities, it being understood, that if, following a Change of Control, if the Executive remains as the Employer's Chief Executive Officer where the Company becomes a wholly owned subsidiary or division of the acquiror, but is not made the Chief Executive Officer of the acquiror or, if there is one, the ultimate parent entity of the acquiring entity, such action will be a material adverse change to the Executive's position, authority, duties, responsibilities constituting "Good Reason," and it being further understood, that if, following a Change of Control, the Executive ceases to report to the Board of Directors of the acquiror or, if there is one, the ultimate parent entity of the acquiring entity,

that will be a material adverse change to the Executive's position, authority, duties, responsibilities constituting "Good Reason," unless the acquiror or the ultimate parent entity, as applicable, is solely a holding company and the Executive reports to the Board of Directors of the primary operating company of such holding company, (ii) a material adverse change, without the Executive's consent, to the budget over which the Executive retains authority, or to the Base Salary or the potential incentive bonus the Executive is eligible to earn, (iv) the Executive no longer reports to the Board, (v) a material change (of more than 35 miles) in the Executive's "base location" other than with the agreement of the Executive, or (vi) the inability or failure of the Executive to be able to obtain a Work Authorization and the failure of the Company to continue Executive's employment in the United States on substantially the same terms herein, but does not include (1) prior to a Change of Control, a change in the Executive's duties and/or responsibilities arising from a change in the scope or nature of the Employer's business operations, provided such change does not adversely affect the Executive's position or authority as the senior-most executive of the Employer or the primary operating company of Parent, or (2) an isolated or inadvertent action which is remedied by the Employer promptly after receipt of written notice thereof given by the Executive. In order for a termination to qualify as Good Reason, Executive must not terminate employment with the Company without first providing the Company with written notice of the acts or omissions constituting the grounds for "Good Reason" within ninety (90) calendar days of the initial existence of the grounds for "Good Reason" and, except for Section 10 (b) (vi) (A), a cure period of thirty (30) calendar days following the date of such notice, and such grounds must not have been cured during such time. Any resignation for Good Reason must occur within thirty (30) calendar days after the expiration of the cure period.

- c. Termination without Cause or Resignation for Good Reason: The Employer may terminate the Executive's employment at any time, without Cause by providing the Executive, and the Executive may resign at any time for Good Reason and will be provided by the Company, with the following, subject to Section 10c(iii) below:
- i. During the first twelve (12) months of the Term:
- (1) one (1) year's Base Salary plus one year's at-target STI Bonus, payable, subject to Section 24 of this Agreement, in a lump sum on the sixtieth (60<sup>th</sup>) day following the Termination Date;
  - (2) the Sign-On Option and each other outstanding stock option will vest in full;
  - (3) all other equity awards will be governed by the terms of the relevant plan; provided, however, that (x) the definitions of "Cause" and "Good Reason" will be deemed for purposes of the relevant plan to be as defined in this Agreement, and (y) solely for this purpose, and except as otherwise provided in the Change of Control Agreement, a termination for Good Reason will be treated in the same manner under the relevant plan as a termination without Cause;
  - (4) an STI Bonus for the year of termination of employment, pro-rated based on the number of days in the year prior to the Termination Date (as defined below), based on the same performance criteria as the STI Bonus for that year as applicable to other executives, but in all events, paid, subject to Section 24 of this Agreement, no later than March 15<sup>th</sup> of the calendar year following the year in which it is deemed earned for purposes of Section 409A;

- (5) continued extended health and dental benefits coverage until the earlier of the first anniversary of Termination Date or the date on which the Executive begins new full-time employment.
- ii. After the first twelve (12) months of the Term:
- (1) two (2) years' Base Salary plus two (2) years' at-target STI Bonus, payable, subject to Section 24 of this Agreement, in a lump sum on the sixtieth (60<sup>th</sup>) day following the Termination Date;
  - (2) an STI Bonus for the year of termination of employment, pro-rated based on the number of days in the year of the Termination Date, paid, subject to Section 24 of this Agreement, based on the same performance criteria as the STI Bonus for that year as applicable to other executives, but in all events, paid, , subject to Section 24 of this Agreement, no later than March 15<sup>th</sup> of the calendar year following the year in which it is deemed earned for purposes of Section 409A;
  - (3) the Sign-On Option and each other outstanding stock option will vest in full;
  - (4) all other equity awards will be governed by the term of the relevant plan; ; provided, however, that (x) the definitions of "Cause" and "Good Reason" will be deemed for purposes of the relevant plan to be as defined in this Agreement, and (y) solely for this purpose, and except as otherwise provided in the Change of Control Agreement, a termination for Good Reason will be treated in the same manner under the relevant plan as a termination without Cause; and
  - (5) continued extended health and dental benefits coverage until the earlier of the first anniversary of the Termination Date or the date on which the Executive begins new full-time employment.
- iii. In order for the Executive to be entitled to receive payments pursuant to Section 10c(i) or 10c(ii), the Executive must sign and deliver to the Company without revocation during any legally required revocation period, a Release of Claims Agreement (the "Release") in a form to be agreed in writing between the parties within seven days of execution of this Agreement, such Release to be executed and delivered to the Employer within the time frame designated therein. The Employer will provide the Release to the Executive for consideration and execution within five days following the Termination Date, in order to provide sufficient time for the Executive to consider execution of the Release for the period of time required by law, and any required revocation period to have expired, prior to the payment date designated in Sections 10c(i) and (ii) above. Such Release shall include, among other things, a release of any and all claims the Executive may then and thereafter have, known and unknown, against the Employer, affiliates and the Parent, their shareholders, directors, officers, employees and agents for all statutory tort, contract, and common law claims, including, but not limited to claims for unlawful discrimination, harassment, and retaliation under Title VII of the Civil Rights Act of 1962, the Family and Medical Leave Act, the Americans with Disabilities Act as amended, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Employee Retirement Income Security Act, and all similar state, provincial and local legislation and law. If the Executive fails or refuses to sign and irrevocably deliver to the Company within the time period specified in the Release, the Executive shall not be entitled to payments pursuant to Section 10c(i) or 10c(ii) as applicable.

iv. In the event of payment of any Base Salary and STI Bonus to the Executive in lieu of working notice, payment will be made within thirty (30) calendar days of termination of the Executive's employment.

- d. Resignation: The Executive may terminate her employment with the Employer at any time by providing the Employer with three (3) months' notice in writing to that effect. If the Executive provides the Employer with written notice under this Section, the Employer may waive such notice, in whole or in part, in which case the Employer will pay the Executive the Base Salary only for the amount of time remaining in that notice period and the Executive's employment will terminate on the earlier date specified by the Employer without any further compensation. Such Base Salary payment will be paid, subject to Section 24 of this Agreement, in a lump sum within fourteen (14) calendar days following the Termination Date

In the event of termination by the Executive as provided in this section (d), all equity awards will be governed by the terms of the relevant plan.

- e. Termination Without Cause or Good Reason Following Change of Control: In the event of (i) termination without Cause upon a Change of Control or within two (2) years following a Change of Control, or (ii) termination for Good Reason upon a Change of Control or within one (1) year following a Change of Control, the Executive will have the rights set forth in the Change of Control Agreement attached as **Appendix "D"** hereto, provided the Executive has timely executed without revocation the Release as contemplated in Section 10c(iii) above.
- f. Deductions and withholdings: All payments under this Section are subject to applicable statutory and regular payroll deductions and withholdings.
- g. Terms of Payment upon Termination: Upon termination of the Executive's employment, for any reason:
- i. Subject to Section 10 c.(iv)., the Employer will pay the Executive all earned and unpaid Base Salary and vacation pay and reimburse the Executive for all expenses properly incurred up to and including the Termination Date.
  - ii. In the event of resignation by the Executive or termination of the Executive's employment for Cause, no incentive or bonus payment will be payable to the Executive; and
  - iii. On the Termination Date, or as otherwise directed by the Board, the Executive will immediately deliver to the Employer all property of the Employer and all files, computer disks, Confidential Information, information and documents pertaining to the Employer's Business, and all other property of the Employer that is in the Executive's possession or control, without making or retaining any copy, duplication or reproduction of such files, computer disks, Confidential Information, information or documents without the Employer's express written consent.
- h. Other than as expressly provided herein, the Executive will not be entitled to receive any further pay or compensation, severance pay, notice, payment in lieu of notice, incentives, bonuses, benefits, rights and damages of any kind.
- i. Notwithstanding any changes in the terms and conditions of the Executive's employment which may occur in the future, including any changes in position, duties or compensation, the termination provisions in this Agreement will continue to be in effect for the duration of the

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

- j. For purposes of this section 10, “Termination Date” means the Executive’s last day of active employment (regardless of reason) and does not include any applicable period of statutory or reasonable notice or any period of salary continuation or deemed employment.
- k. Agreement authorizing payroll deductions: If, on the date the employment relationship ends, regardless of the reason, the Executive owes the Employer any money (whether pursuant to an advance, overpayment, debt, error in payment, or any other reason), the Executive hereby authorizes the Employer, upon at least five (5) calendar days’ prior written notice, to deduct any such debt amount from the Executive’s salary, severance or any other payment due to the Executive. Any remaining debt will be immediately payable to the Employer and the Executive agrees to satisfy such debt within 14 days of the Termination Date or any demand for repayment.

## 11. SHARE OWNERSHIP & HOLDING REQUIREMENTS

- a. The Executive will be subject to the Employer’s share ownership guideline policy, as amended from time to time, with a share ownership guideline initially set at five times Base Salary to be obtained within five years of the Commencement Date.
- b. The Executive will be required to hold a portion of the after-tax value of payout/gains from the annual long-term incentive program in common shares of the Employer: 100% of after-tax value from payouts/gains is to be held in common shares until ownership guidelines are met; thereafter, 50% of after-tax value of each such payout/gain is to be held for a period of at least two years following the applicable payout date. In addition, the Executive will be required to hold the common shares previously awarded to the Executive by the Employer, equal to one times the Base Salary and STI Bonus paid in the previous year, for a period of at least one year after the Termination Date, except in the event a termination of Executive without Cause or for Good Reason and , and except as may be necessary for Executive to meet tax obligations or in connection with reductions contemplated by Section 4 of the Change of Control Agreement.
- c. For purposes of the share ownership requirements, shares in a trust for the benefit of the Executive or Executive’s family members shall be deemed to be held by the Executive, provided that the applicable trust agrees to hold the shares in accordance with the Employer’s share ownership guideline policy.

## 12. CONFIDENTIAL INFORMATION

- a. In this Agreement “Confidential Information” means information proprietary to the Employer that is not publicly known or available, including but not limited to personnel information, customer information, supplier information, contractor information, pricing information, financial information, marketing information, business opportunities, technology, research and development, manufacturing and information relating to intellectual property, owned, licensed, or used by the Employer or in which the Employer otherwise has an interest, and includes Confidential Information created by the Executive in the course of her employment, jointly or alone. The Executive acknowledges that the Confidential Information is the exclusive property of the Employer.

- b. The Executive agrees at all times during the Term and after the Term, to hold the Confidential Information in strictest confidence and not to disclose it to any person or entity without written authorization from the Employer and the Executive agrees not to copy or remove it from the Employer's premises except in pursuit of the Employer's business, or to use or attempt to use it for any purpose other than the performance of the Executive's duties on behalf of the Employer.
- c. The Executive agrees, at all times during and after the Term, not use or take advantage of the Confidential Information for creating, maintaining or marketing, or aiding in the creation, maintenance, marketing or selling, of any products and/or services which are competitive with the products and services of the Employer.
- d. Upon the request of the Employer, and in any event upon the termination of the Executive's employment with the Employer, the Executive will immediately return to the Employer all materials, including all copies in whatever form containing the Confidential Information which are within the Executive's possession or control.

**13. INVENTIONS**

- a. In this Agreement, "Invention" means any invention, improvement, method, process, advertisement, concept, system, apparatus, design or computer program or software, system or database.
- b. The Executive acknowledges and agrees that every Invention which the Executive may, at any time during the terms of her employment with the Employer or its affiliates, make, devise or conceive, individually or jointly with others, whether during the Employer's business hours or otherwise, and which relates in any manner to the Employer's business will belong to, and be the exclusive property of the Employer, and the Executive will make full and prompt disclosure to the Employer of every such Invention. The Executive hereby irrevocably waives all moral rights that the Executive may have in every such Invention.
- c. The Executive undertakes to assign to the Employer, or its nominee, every such Invention and to execute all assignments or other instruments and to do any other things necessary and proper to confirm the Employer's right and title in and to every such Invention. The Executive further undertakes to perform all proper acts within her power necessary or desired by the Employer to obtain letters patent in the name of the Employer and at the Employer's expense for every such Invention in whatever countries the Employer may desire, without payment by the Employer to the Executive of any royalty, license fee, price or additional compensation.

**14. NON-SOLICITATION**

- a. The Executive acknowledges that in the course of the Executive's employment with the Employer the Executive will develop close relationships with the Employer's clients, customers and employees, and that the Employer's goodwill depends on the development and maintenance of such relationships. The Executive acknowledges that the preservation of the Employer's goodwill and the protection of its relationships with its customers and employees are proprietary rights that the Employer is entitled to protect.
- b. The Executive will not during the Applicable Period, whether individually or in partnership or jointly or in conjunction with any person or persons, as principal, agent, shareholder, director, officer, employee or in any other manner whatsoever:



- i. solicit any client or customer of the Employer with whom the Executive dealt during the twelve (12) months immediately prior to the termination of the Executive's employment with the Employer (however caused); or
- ii. seek in any way to solicit, persuade or entice, or attempt to solicit, persuade or entice any employee of the Employer, to leave his or her employment with the Employer,

provided, however, that nothing contained herein shall restrict or prohibit the placement of general advertisements that are not specifically targeted towards the persons or entities listed in subsections (b)(i) and (ii) and the placement of such advertisements shall not represent a breach of this Agreement.

The "**Applicable Period**" means (A) if termination occurs during the Executive's first year of employment, a period of twelve (12) months following termination, regardless of the reason for such termination or the party effecting it, or (B) if termination occurs after the Executive's first year of employment, a period of twenty-four (24) months following the Termination Date, regardless of the reason for such termination or the party effecting it.

## 15. NON-COMPETITION

- a. In consideration for the Executive's eligibility to receive termination-related payments and benefits under Section 10 of this Agreement, the termination and/or Change of Control (as defined in the Change of Control Agreement)-related payments and benefits under the Change of Control Agreement, and the other payments and benefits under this Agreement, the Executive agrees that, without the prior written consent of the Employer, the Executive will not carry on, be engaged in, or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of, or permit the Executive's name or any part thereof to be used or employed in a business which is the same as or competitive with the business of the Employer in the area of asset management or facilitating the exchange of industrial equipment, or in the area of the buying, selling or auctioning of industrial equipment, either individually or in partnership or jointly or in conjunction with any person as principal, agent, employee, officer or shareholder. The foregoing restriction will be in effect for twenty-four (24) months following the Termination Date within the geographical area of Canada and the United States.

## 16. REMEDIES FOR BREACH OF RESTRICTIVE COVENANTS

- a. The Executive acknowledges that the restrictions contained in Sections 10 g. iii., 11, 12, 13, 14 and 15 of this Agreement are, in view of the nature of the Employer's business, reasonable and necessary in order to protect the legitimate interests of the Employer and that any violation of those Sections would result in irreparable injuries and harm to the Employer, and that damages alone would be an inadequate remedy.
- b. The Executive hereby agrees that the Employer will be entitled to the remedies of injunction, specific performance and other equitable relief to prevent a breach or recurrence of a breach of this Agreement and that the Employer will be entitled to its reasonable legal costs and expenses, on a solicitor and client basis, incurred in properly enforcing a provision of this Agreement.
- c. Nothing contained herein will be construed as a waiver of any of the rights that the Employer may have for damages or otherwise.

- d. The Executive and the Employer expressly agree that the provisions of Sections 10 g. iii., 11, 12, 13, 14, 15, and 22 of this Agreement will survive the termination of the Executive's employment for any reason.

**17. GOVERNING LAW**

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

**18. SEVERABILITY**

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

**19. ENTIRE AGREEMENT**

- a. This Agreement, the appendices to this Agreement, and any other documents referenced herein, contains the complete agreement concerning the Executive's employment by the Employer and will, as of the date it is executed, supersede any and all other employment agreements between the parties.
- b. The parties agree that there are no other contracts or agreements between them, and that neither of them has made any representations, including but not limited to negligent misrepresentations, to the other except such representations as are specifically set forth in this Agreement, and that any statements or representations that may previously have been made by either of them to the other have not been relied on in connection with the execution of this Agreement and are of no effect.
- c. No waiver, amendment or modification of this Agreement or any covenant, condition or restriction herein contained will be valid unless executed in writing by the party to be charged therewith, with the exception of those modifications expressly permitted within this Agreement. Should the parties agree to waive, amend or modify any provision of this Agreement, such waiver, amendment or modification will not affect the enforceability of any other provision of this Agreement.

**20. CONSIDERATION**

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

**21. INTERPRETATION**

- a. Headings are included in this Agreement for convenience of reference only and do not form part of this Agreement.
- b. In the event that this Agreement provides a lesser benefit to the Executive than the minimum standard contained in any applicable legislation, the minimum standard contained in such legislation will prevail to the extent of the inconsistency.

## 22. DISPUTE RESOLUTION

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

- a. Amicable Negotiation – The parties agree that, both during and after the performance of their responsibilities under this Agreement, each of them will make *bona fide* efforts to resolve any disputes arising between them via amicable negotiations;
- b. Mediation – If the parties are unable to negotiate resolution of a dispute, either party may refer the dispute to mediation by providing written notice to the other party. If the parties cannot agree on a mediator within thirty (30) calendar days of receipt of the notice to mediate, then either party may make application to Judicial Dispute Resolution, LLC, of Seattle, Washington to have one appointed. The mediation will be held in Seattle, Washington, in accordance with the rules of the selected or appointed mediator, and each party will bear its own costs, including one-half share of the mediator’s fees.
- c. Arbitration – If, after mediation, the parties have been unable to resolve a dispute and the mediator has been inactive for more than 90 days, or such other period agreed to in writing by the parties, either party may refer the dispute to JAMS of Seattle, Washington for final and binding arbitration by providing written notice to the other party. If the parties cannot agree on an arbitrator within thirty (30) calendar days of receipt of the notice to arbitrate, then either party may make application to JAMS to appoint one. If one party elects to use a three-arbitrator panel, rather than a single arbitrator, the party shall provide written notice to the other side. When a three-arbitrator panel is requested, both parties will select one arbitrator each from JAMS. The parties may jointly select a third arbitrator. If the parties cannot agree on a third arbitrator within thirty (30) calendar days of receipt of selection of the first arbitrator chosen by a party, the arbitrators chosen by each of the parties shall select a third arbitrator. The arbitration will be held in Seattle, Washington, in accordance with the JAMS Employment Arbitration Rules & Procedures, and each party will bear its own costs, including one-half share of the arbitrator’s (or arbitrators’) fees.

## 23. ENUREMENT

- a. The provisions of this Agreement will enure to the benefit of and be binding upon the parties, their heirs, executors, personal legal representatives and permitted assigns, and related companies.
- b. This Agreement may be assigned by the Employer upon mutual agreement with the Executive. This Agreement will not be assigned by the Executive.

## 24. EFFECT OF SECTION 409A

- a. Payments and benefits provided under or referenced in this Agreement (including appendices hereto) are intended to be designed in such a manner that they are either exempt from the application of, or comply with, the requirements of, Section 409A of the U.S. Internal Revenue Code and the regulations issued thereunder (collectively, as in effect from time to time, “Section 409A”) and shall be construed, administered and interpreted in accordance with such intention, including with respect to any ambiguities or ambiguous terms. If, as of the date of the Executive’s termination, the Executive is a “specified employee” within the

meaning of Section 409A, then to the extent necessary to comply with Section 409A and to avoid the imposition of taxes and/or penalties under Section 409A, payment to the Executive of any amount or benefit under this Agreement or any other Employer plan, program or agreement that constitutes “nonqualified deferred compensation” under Section 409A and which under the terms of this Agreement or any other Employer plan, program or arrangement would otherwise be payable as a result of and within six (6) months following such termination shall be delayed, as provided under current regulatory requirements under Section 409A, until the earlier of (i) five (5) calendar days after the Employer receives notification of the Executive’s death or (ii) the first business day of the seventh month following the date of the Executive’s termination. Each payment, benefit and reimbursement payable to the Executive hereunder shall constitute a separate payment for purposes of U.S. Treasury Regulation Section 1.409A-2(b)(2).

- b. Any payment or benefit under this Agreement or any other Employer plan, program or agreement that constitutes nonqualified deferred compensation and that is payable upon or in connection with a termination of the Executive’s employment shall only be paid or provided to the Executive upon a “separation from service”. If the Executive or the Employer determine that any payment, benefit, distribution, deferral election, or any other action or arrangement contemplated by the provisions of this Agreement or any other Employer plan, program or agreement would, if undertaken or implemented, cause the Executive to become subject to taxes and/or penalties under Section 409A, then such payment, benefit, distribution, deferral election or other action or arrangement shall not be given effect to the extent it causes such result and the related provisions of this Agreement or other Employer plan, program or agreement will be deemed modified in order to provide the Executive with the intended economic benefit and comply with the requirements of Section 409A.
  
- c. To the extent any taxable reimbursements under Section 5 c of this Agreement, or any other reimbursement or in-kind benefit under this Agreement or under any other reimbursement or in-kind benefit plan or arrangement in which Executive participates during the Term or thereafter, provide for a “deferral of compensation” within the meaning of Section 409A and otherwise are not exempt from and do not otherwise comply with Section 409A, they will be made in accordance with Section 409A, including, but not limited to, the following provisions: (i) the amount eligible for reimbursement or in-kind benefit in one calendar year may not affect the amount eligible for reimbursement or in-kind benefit in any other calendar year (except that a plan providing medical or health benefits may, to the extent permitted by Section 409A, impose a generally applicable limit on the amount that may be reimbursed or paid); (ii) the right to the applicable reimbursement or in-kind benefit is not subject to liquidation or exchange for another benefit or payment; (iii) to the extent there is any reimbursement of an expense, subject to any shorter time periods provided in this Agreement or in the applicable reimbursement arrangement, any such reimbursement of an expense or in-kind benefit must be made on or before the last day of Executive’s taxable year following the taxable year of Executive in which the expense was incurred; and (iv) except as specifically provided herein or in the applicable reimbursement arrangement, in-kind benefits will be provided, and reimbursements will be made for expenses incurred, only during Executive’s lifetime. References in this paragraph to “calendar year” assumes that the calendar year is Executive’s taxable year; if not, reference to “calendar year” in this paragraph will be deemed to refer to the Executive’s taxable year.

**[Remainder of page left intentionally blank]**



Dated at Vancouver, British Columbia, this 14<sup>th</sup> day of December, 2019.

Signed, Sealed and Delivered by )  
 ANN FANDOZZI in the )  
 presence of: )  
 )  
 \_\_\_\_\_ )  
 Name )  
 \_\_\_\_\_ )  
 City / State )  
 \_\_\_\_\_ )  
 \_\_\_\_\_ )  
 \_\_\_\_\_ )  
 \_\_\_\_\_ )  
 Occupation )

\_\_\_\_\_  
 /s/ Ann Fandozzi  
 ANN FANDOZZI

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

Per: /s/ Darren Watt  
 Authorized Signatory

**APPENDIX “A”****JOB DESCRIPTION**

**Title:** Chief Executive Officer  
**Reports to:** Board of Directors (“Board”)

**Authorities, Duties and Responsibilities:****A. Principal Place of Employment**

The Employer is headquartered in Burnaby, British Columbia. Philadelphia, PA will be considered the Executive’s base office for travel reimbursement purposes. Presence in Burnaby approximately one week per month as necessary in performance of the Executive’s duties, as well as frequent travel to Pleasanton, CA, is expected. For greater clarity, for purposes of travel reimbursement, Philadelphia, PA shall be considered the Executive’s “base location”. Personal travel between Chicago and the Executive’s base location in Philadelphia shall be at the Executive’s personal expense.

**B. Key Functions**

1. Develop, in consultation with the Board of Directors, a clear corporate direction and goals and the high level strategies to be used to achieve these goals, to maximize the long-term value of Ritchie Bros. These goals and strategies will be adopted by Ritchie Bros. upon approval by the Board.
2. Prepare a comprehensive business plan that will achieve the goals consistent with the agreed strategies and goals.
3. Submit timely operating and capital expenditure budgets for consideration by the Board, in conformance with the Board mandate.
4. Maintain a focus throughout the organization on the execution of, and adherence to, the strategy, business plan and budgets.
5. Ensure that critical market-facing functions, such as sales and marketing, operate at maximum effectiveness.
6. Consistent with the strategy, enable Ritchie Bros. to enter, develop and successfully perform in new markets, channels, geographies and product/service areas.
7. Provide clear leadership to the organization, consistent with the Ritchie Bros. values, and instill a culture of accountability for results among management.
8. Monitor financial and operational results and report to the Board on the most relevant metrics and trends relative to the strategy, business plan and budgets.
9. At regular intervals, review the corporate direction and goals, high level strategies and business plan and report to the Board.
10. Lead talent management for the organization, including the development of potential CEO successors and a pipeline of successors for executive and other key roles. The

board of directors maintains ultimately responsibility for the selection of successor CEOs.

**C. General Functions**

1. Provide effective leadership to the management and the employees of Ritchie Bros. and establish and maintain an effective means of control and coordination for all business operations and activities.
2. Ensure compliance with the Ritchie Bros. Code of Business Conduct and Ethics and foster and maintain a corporate culture that promotes the Ritchie Bros. values and instills ethical practices, integrity and a positive, challenging and fun work climate, enabling Ritchie Bros. to attract, motivate and retain high quality employees.
3. Develop job descriptions, responsibilities and objectives for senior management, and instill a strong culture of accountability for results.
4. Develop and maintain a sound, effective organization structure, ensure effective employee training and development programs, and maintain talent development initiatives within the organization. Ensure a robust management succession plan exists in all critical levels of the organization. Report regularly to the Board on top organizational talent and succession plans.
5. Monitor, review and report regularly to the Board on the performance of key senior management personnel.
6. Foster a culture of clear direct communication within Ritchie Bros. so that goals, objectives, roles and responsibilities are understood, inter-functional cooperation is encouraged, and employee motivation is maximized.
7. Ensure compliance with all relevant laws, material rules and regulations in every jurisdiction within which Ritchie Bros. operates and report to the Board any relevant communications from external parties such as governments and competent authorities.
8. Ensure the adequate and efficient deployment of capital to grow Ritchie Bros.' business and recommend alternative uses for any excess capital to the Board on a regular basis. Ensure that Ritchie Bros.' assets are adequately safeguarded and maintained.
9. Assess, in conjunction with key senior management, opportunities for acquisitions, strategic alliances, partnerships, or other business relationships that are consistent with the Ritchie Bros.' strategy.
10. Regularly conduct a robust strategy development process, including identifying the key strengths, weaknesses, opportunities, and threats with respect to Ritchie Bros. and its markets.
11. Maintain a high personal visibility with Ritchie Bros.' customers and employees.
12. Ensure that effective communication strategies and appropriate relationships are maintained with Ritchie Bros.' shareholders and other stakeholders.

**D. Financial Reporting**

1. Oversee the quality and timeliness of financial reporting. Report to the Board, in conjunction



with the Chief Financial Officer, on the fairness and adequacy of Ritchie Bros.' financial reporting to regulators, shareholders and other relevant constituencies, and on all other relevant regulatory filings and requirements as necessary.

2. Ensure, in conjunction with the Chief Financial Officer, that Ritchie Bros.' annual and interim filings are complete and accurate and in compliance with all applicable legal and regulatory requirements, and ensure Ritchie Bros. provides any related certifications required by applicable legislation or corporate governance rules to the appropriate authorities.
3. Ensure the appropriate design, implementation, maintenance and periodic assessment of internal controls, disclosure controls and procedures, are performed, in conjunction with the Chief Financial Officer. Such activities must be compliant with all relevant legal and regulatory requirements and applicable accounting standards.
4. Ensure Ritchie Bros. adheres to all applicable financial reporting laws and regulations, and the rules and requirements of any exchanges upon which Ritchie Bros.' securities are listed, including those set out under Sarbanes Oxley legislation, the NYSE, the SEC, the TSX and applicable Canadian securities laws.

**APPENDIX "B"**

**BOARD APPOINTMENTS**

During the Term, the Employer agrees that the Executive may continue to serve the following organizations in the applicable positions, provided such service does not interfere with the Executive's employment duties and responsibilities:

1. Ghost Robotics LLC
2. Cobuna Brands LLC

For any other appointments, the Executive will first obtain the agreement of the Board.

APPENDIX "C"

INDEMNITY AGREEMENT

THIS AGREEMENT executed on the 14<sup>th</sup> day of December, 2019.

BETWEEN:

**RITCHIE BROS. AUCTIONEERS INCORPORATED**, a corporation amalgamated under the laws of Canada and having an office at 9500 Glenlyon Parkway, Burnaby, British Columbia, V5J 0C6

(the "Corporation")

AND:

**ANN FANDOZZI**

(the "Indemnified Party")

WHEREAS:

- A. The Indemnified Party:
  - (a) is or has been a director or officer of the Corporation, or
  - (b) acts or has acted, at the Corporation's request, as a director or officer of, or in a similar capacity for, an Interested Corporation (as defined herein);
- B. The Corporation acknowledges that the Indemnified Party, by virtue of acting as a director or officer of the Corporation or the Interested Corporation and in exercising business judgment, making decisions and taking actions in furtherance of the business and affairs of any such corporation or entity may attract personal liability;
- C. The Indemnified Party has agreed to serve or to continue to serve as a director or officer of the Corporation or the Interested Corporation subject to the Corporation providing her with an indemnity against certain liabilities and expenses and, in order to induce the Indemnified Party to serve and to continue to so serve, the Corporation has agreed to provide the indemnity herein;
- D. The Corporation considers it desirable and in the best interests of the Corporation to enter into this Agreement to set out the circumstances and manner in which the Indemnified Party may be indemnified in respect of certain liabilities and expenses which the Indemnified Party may incur or sustain as a result of the Indemnified Party so acting as a director or officer; and
- E. The By-Laws of the Corporation contemplate that the Indemnified Party may be so indemnified.

THEREFORE THIS AGREEMENT WITNESSES that in consideration of the Indemnified Party so agreeing to act and the mutual premises, promises and conditions herein (the receipt and sufficiency of which is acknowledged by the Corporation), the parties agree as follows:

**ARTICLE 1**  
**DEFINITIONS AND INTERPRETATION**

**1.1 Definitions**

In this Agreement unless there is something in the subject matter or context inconsistent therewith, the following capitalized words will have the following meanings:

- (a) “CBCA” means the *Canada Business Corporations Act* as amended or re-enacted.
- (b) “Claim” means any action, cause of action, suit, complaint, proceeding, arbitration, judgment, award, assessment, order, investigation, enquiry or hearing howsoever arising and whether arising in law, equity or under statute, rule or regulation or ordinance of any governmental or administrative body.
- (c) “Interested Corporation” means any subsidiary of the Corporation or any other corporation, society, partnership, association, syndicate, joint venture or trust, whether incorporated or unincorporated, in which the Corporation is, was or may at any time become a shareholder, creditor, member, partner or other stakeholder.

**1.2 Interpretation**

For the purposes of this Agreement, except as otherwise provided:

- (a) “this Agreement” means this Indemnity Agreement as it may from time to time be supplemented or amended and in effect;
- (b) all references in this Agreement to “Articles”, “Sections” and other subdivisions are to the designated Articles, Sections and other subdivisions of this Agreement;
- (c) the words “herein”, “hereof”, “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision;
- (d) the headings are for convenience only and are not intended to interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof;
- (e) the singular of any term includes the plural, and vice versa, the use of any term is equally applicable to any gender and, where applicable, a body corporate, the word “or” is not exclusive and the word “including” is not limiting whether or not non-limiting language (such as “without limitation” or “but not limited to” or words of similar import) is used with reference thereto;
- (f) where the time for doing an act falls or expires on a day other than a business day, the time for doing such act is extended to the next day which is a business day; and
- (g) any reference to a statute is a reference to the applicable statute and to any regulations made pursuant thereto and includes all amendments made thereto and in force from time to time and any statute or regulation that has the effect of supplementing or superseding such statute or regulation.

## ARTICLE 2 INDEMNITY

### 2.1 Indemnities

- (a) *General Indemnity* - Except as otherwise provided herein, the Corporation agrees to indemnify and save the Indemnified Party harmless, to the fullest extent permitted by law, including but not limited to that permitted under the CBCA, as the same exists on the date hereof or may hereafter be amended (but, in the case of such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior to such amendment) from and against any and all costs, charges, expenses, fees, losses, damages or liabilities (including legal or other professional fees), without limitation, and whether incurred alone or jointly with others, which the Indemnified Party may suffer, sustain, incur or be required to pay and which arise out of or in respect of any Claim which may be brought, commenced, made, prosecuted or threatened against the Indemnified Party, the Corporation, the Interested Corporation or any of the directors or officers of the Corporation or by reason of her acting or having acted as a director or officer of the Corporation or Interested Corporation and any act, deed, matter or thing done, made or permitted by the Indemnified Party or which the Indemnified Party failed or omitted to do arising out of, or in connection with the affairs of the Corporation or Interested Corporation or the exercise by the Indemnified Party of the powers or the performance of the Indemnified Party's duties as a director or officer of the Corporation or the Interested Corporation including, without limitation, any and all costs, charges, expenses, fees, losses, damages or liabilities which the Indemnified Party may suffer, sustain or reasonably incur or be required to pay in connection with investigating, initiating, defending, appealing, preparing for, providing evidence in, instructing and receiving the advice of counsel or other professional advisor or otherwise, or any amount paid to settle any Claim or satisfy any judgment, fine or penalty, provided, however, that the indemnity provided for in this Section 2.1 will only be available if:
- (i) the Indemnified Party acted honestly and in good faith with a view to the best interests of the Corporation or the Interested Corporation, as the case may be; and
  - (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the Indemnified Party had reasonable grounds for believing that her conduct was lawful.
- (b) *Indemnity in Derivative Claims etc.* - in respect of any action by or on behalf of the Corporation or the Interested Corporation to procure a judgment in its favour against the Indemnified Party, in respect of which the Indemnified Party is made a party by reason of the Indemnified Party acting or having acted as a director or officer of or otherwise associated with the Corporation or the Interested Corporation, the Corporation will, with the approval of a court of competent jurisdiction, indemnify and save the Indemnified Party harmless against all costs, charges and expenses reasonably incurred by the Indemnified Party in connection with such action to the same extent as provided or in Section 2.1 provided the Indemnified Party fulfils the conditions set out in Section 2.1(a)(i) and 2.1(a)(ii) above.
- (c) *Indemnity as of Right* - notwithstanding anything herein, the Corporation will indemnify and save the Indemnified Party harmless in respect of all costs, charges and expenses reasonably incurred by her in connection with the defence of any civil, criminal,

administrative or investigative action or proceeding to which the Indemnified Party is subject because of her acting or having acted as a director or officer of or otherwise associated with the Corporation or the Interested Corporation, if the Indemnified Party:

- (i) was not judged by a court of competent jurisdiction to have committed any fault or omitted to do anything that the individual ought to have done; and
  - (ii) fulfils the conditions set out in Section 2.1(a)(i) and 2.1(a)(ii) above.
- (d) *Incidental Expenses* - except to the extent such costs, charges, expenses, fees or liabilities are paid by an Interested Corporation, the Corporation will pay or reimburse the Indemnified Party for reasonable travel, lodging or accommodation costs, charges or expenses paid or incurred by or on behalf of the Indemnified Party in carrying out her duties as a director or officer of the Corporation or the Interested Corporation, whether or not incurred in connection with any Claim.

## **2.2 Specific Indemnity for Statutory Obligations**

Without limiting the generality of Section 2.1 hereof, the Corporation agrees, to the extent permitted by law, that the indemnities provided herein will include all costs, charges, expenses, fees, fines, penalties, losses, damages or liabilities arising by operation of statute, rule, regulation or ordinance and incurred by or imposed upon the Indemnified Party in relation to the affairs of the Corporation or the Interested Corporation by reason of the Indemnified Party acting or having acted as a director or officer thereof, including but not limited to, any statutory obligations or liabilities that may arise to creditors, employees, suppliers, contractors, subcontractors, or any government or agency or division of any government, whether federal, provincial, state, regional or municipal.

## **2.3 Taxation**

Without limiting the generality of Section 2.1 hereof, the Corporation agrees that the payment of any indemnity to or reimbursement of the Indemnified Party hereunder will include any amount which the Indemnified Party may be required to pay on account of applicable income, goods or services or other taxes or levies arising out of the payment of such indemnity or reimbursement such that the amount received by or paid on behalf of the Indemnified Party, after payment of any such taxes or other levies, is equal to the amount required to pay and fully indemnify the Indemnified Party for such costs, charges, expenses, fees, losses, damages or liabilities, provided however that any amount required to be paid with respect to such taxes or other levies will be payable by the Corporation only upon the Indemnified Party remitting or being required to remit any amount payable on account of such taxes or other levies.

## **2.4 Partial Indemnification**

If the Indemnified Party is determined to be entitled under any provision of this Agreement to indemnification by the Corporation for some or a portion of the costs, charges, expenses, fees, losses, damages or liabilities incurred in respect of any Claim but not for the total amount thereof, the Corporation will nevertheless indemnify the Indemnified Party for the portion thereof to which the Indemnified Party is determined to be so entitled.

## **2.5 Exclusions to Indemnity**

The Corporation will not be obligated under this Agreement to indemnify or reimburse the Indemnified Party:

- (a) in respect to which the Indemnified Party may not be relieved of liability under the CBCA or otherwise at law; or
- (b) to the extent that Section 16 of the U.S. *Securities Exchange Act* of 1934 is applicable to the Corporation, for expenses or the payment of profits arising from the purchase and sale by the Indemnified Party of securities in violation of Section 16(b) of the U.S. *Securities Exchange Act* of 1934, as amended, or any similar successor statute; or
- (c) with respect to any Claims initiated or brought voluntarily by the Indemnified Party without the written agreement of the Corporation, except with respect to any Claims brought to establish or enforce a right under this Agreement or any other statute, regulation, rule or law.

### ARTICLE 3

#### CLAIMS AND PROCEEDINGS WHICH MAY GIVE RISE TO INDEMNITY

##### 3.1 Notices of the Proceedings

The Indemnified Party will give notice, in writing, to the Corporation forthwith upon the Indemnified Party being served with any statement of claim, writ, notice of motion, indictment, subpoena, investigation order or other document commencing, threatening or continuing any Claim involving the Corporation or the Interested Corporation or the Indemnified Party which may give rise to a claim for indemnification under this Agreement, and the Corporation agrees to notify the Indemnified Party, in writing, forthwith upon it or any Interested Corporation being served with any statement of claim, writ, notice of motion, indictment, subpoena, investigation order or other document commencing or continuing any Claim involving the Indemnified Party. Failure by the Indemnified Party to so notify the Corporation of any Claim will not relieve the Corporation from liability hereunder except to the extent that the failure materially prejudices the Corporation or Interested Corporation.

##### 3.2 Subrogation

Promptly after receiving notice of any Claim or threatened Claim from the Indemnified Party, the Corporation may, and upon the written request of the Indemnified Party will, promptly assume conduct of the defence thereof and retain counsel on behalf of the Indemnified Party who is reasonably satisfactory to the Indemnified Party, to represent the Indemnified Party in respect of the Claim. If the Corporation assumes conduct of the defence on behalf of the Indemnified Party, the Indemnified Party hereby consents to the conduct thereof and of any action taken by the Corporation, in good faith, in connection therewith and the Indemnified Party will fully cooperate in such defence including, without limitation, the provision of documents, attending examinations for discovery, making affidavits, meeting with counsel, testifying and divulging to the Corporation all information reasonably required to defend or prosecute the Claim.

##### 3.3 Separate Counsel

In connection with any Claim in respect of which the Indemnified Party may be entitled to be indemnified hereunder, the Indemnified Party will have the right to employ separate counsel of the Indemnified Party's choosing and to participate in the defence thereof but the fees and disbursements of such counsel will be at the expense of the Indemnified Party (for which the Indemnified Party will not be entitled to claim from the Corporation) unless:

- (a) the Indemnified Party reasonably determines that there are legal defences available to the Indemnified Party that are different from or in addition to those available to the Corporation or the Interested Corporation, as the case may be, or that a conflict of interest exists which makes representation by counsel chosen by the Corporation not advisable;
- (b) the Corporation has not assumed the defence of the Claim and employed counsel therefor reasonably satisfactory to the Indemnified Party within a reasonable period of time after receiving notice thereof; or
- (c) employment of such other counsel has been authorized by the Corporation;

in which event the reasonable fees and disbursements of such counsel will be paid by the Corporation, subject to the terms hereof.

### **3.4 No Presumption as to Absence of Good Faith**

Unless a court of competent jurisdiction otherwise has held or decided that the Indemnified Party is not entitled to be indemnified hereunder, in full or in part, the determination of any Claim by judgment, order, settlement or conviction, or upon a plea of *nolo contendere* or its equivalent, will not, of itself, create any presumption for the purposes of this Agreement that the Indemnified Party is not entitled to indemnity hereunder.

### **3.5 Settlement of Claim**

No admission of liability and no settlement of any Claim in a manner adverse to the Indemnified Party will be made without the consent of the Indemnified Party, such consent not to be unreasonably withheld. No admission of liability will be made by the Indemnified Party without the consent of the Corporation and the Corporation will not be liable for any settlement of any Claim made without its consent, such consent not to be unreasonably withheld.

## **ARTICLE 4 INDEMNITY PAYMENTS, ADVANCES AND INSURANCE**

### **4.1 Court Approvals**

If the payment of an indemnity hereunder requires the approval of a court under the provisions of the *Canada Business Corporations Act* or otherwise, either of the Corporation or, failing the Corporation, the Indemnified Party may apply to a court of competent jurisdiction for an order approving the indemnity of the Indemnified Party pursuant to this Agreement.

### **4.2 Advances**

- (a) If the Board of Directors of the Corporation has determined, in good faith and based on the representations made to it by the Indemnified Party, that the Indemnified Party is or may be entitled to indemnity hereunder in respect of any Claim, the Corporation will, at the request of the Indemnified Party, either pay such amount to or on behalf of the Indemnified Party by way of indemnity or, if the Board of Directors is unwilling to pay or is unable to determine if it is entitled to pay that amount by way of indemnity, then the Corporation will advance to the Indemnified Party sufficient funds, or arrange to pay on behalf of or reimburse the Indemnified Party any costs, charges, expenses, retainers or legal fees incurred or paid by the Indemnified Party in respect to such Claim.



- (b) Any advance made by the Corporation under Section 4.2(a) will be treated as a loan to the Indemnified Party, pending approval by the Board of Directors of the payment thereof as an indemnity and advanced to or for the benefit of the Indemnified Party on such terms and conditions as the Board of Directors may prescribe which may include interest, the provision of security or a guarantee or indemnity therefor. Notwithstanding the generality of the foregoing, the terms of any such advance will provide that in the event it is ultimately determined by a court of competent jurisdiction that the Indemnified Party is not entitled to be indemnified in respect of any amount for which an advance was made, or that the Indemnified Party is not entitled to be indemnified for the full amount advanced, or the Indemnified Party has received insurance or other compensation or reimbursement payments from any insurer or third party in respect of the same subject matter, such advance, or the appropriate portion thereof, will be repaid to the Corporation, on demand.

#### **4.3 Other Rights and Remedies Unaffected**

The indemnification and payment provided in this Agreement will not derogate from or exclude and will incorporate any other rights to which the Indemnified Party may be entitled under any provision of the CBCA or otherwise at law, the Articles or By-Laws of the Corporation, the constating documents of any Interested Corporation, any applicable policy of insurance, guarantee or third-party indemnity, any vote of shareholders of the Corporation, or otherwise, both as to matters arising out of her capacity as a director or officer of the Corporation, an Interested Corporation, or as to matters arising out of any other capacity in which the Indemnified Party may act for or on behalf of or be associated with the Corporation or the Interested Corporation.

#### **4.4 Insurance**

The Corporation will, to the extent permitted by law, purchase and maintain, or cause to be purchased and maintained, for so long as the Indemnified Party remains a director or officer of the Corporation or the Interested Corporation, and for a period of six (6) years thereafter, insurance for the benefit of the Indemnified Party (or a rider, extension or modification of such policy to extend the time within which a Claim would be required to be reported by the Indemnified Party under such policy after the Indemnified Party has ceased to be a director or officer) on terms no less favourable than the maximum coverage in place while the Indemnified Party served as a director or officer of the Corporation or as the Corporation maintains in existence for its then serving directors and officers and provided such insurance or additional coverage is available on commercially reasonable terms and premiums therefor.

Upon receipt of a notice of a claim pursuant to the terms hereof, the Corporation shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Corporation shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnified Party, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

#### **4.5 Notification of Transactions**

The Corporation will immediately notify the Indemnified Party upon the Corporation entering into or resolving to carry out any arrangement, amalgamation, winding-up or any other transaction or series of transactions which may result in the Corporation ceasing to exist as a legal entity or substantially impairing its ability to fulfill its obligations hereunder and, in any event, will give written notice not less than 21 days prior to the date on which such transaction or series of transactions are expected to be carried out or completed.

#### **4.6 Arrangements to Satisfy Obligations Hereunder**

The Corporation will not carry out or complete any transaction contemplated by Section 4.5, unless and until the Corporation has made adequate arrangements, satisfactory to the Indemnified Party, acting reasonably, to fulfill its obligations hereunder, which arrangements may include, without limitation, the assumption of any liability hereunder by any successor to the assets or business of the Company or the prepayment of any premium for any insurance contemplated in Section 4.4.

#### **4.7 Payments or Compensation from Third Parties**

The Indemnified Party will use reasonable efforts to make claims under any applicable insurance policy or arrangements maintained or made available by the Corporation or the Interested Corporation in respect of the relevant matter. If the Indemnified Party receives any payment under any insurance policy or other arrangements maintained or made available by the Corporation or the Interested Corporation in respect of any costs, charges, expenses, fees, damages or liabilities which have been paid to or on behalf of the Indemnified Party by the Corporation pursuant to indemnification under this Agreement, the Indemnified Party will pay back to the Corporation an amount equal to the amount so paid to or on behalf of the Indemnified Party by the Corporation.

### **ARTICLE 5 GENERAL**

#### **5.1 Company and Indemnified Party to Cooperate**

The Corporation and the Indemnified Party will, from time to time, provide such information and cooperate with the other, as the other may reasonably request, in respect of all matters hereunder.

#### **5.2 Effective Time**

This Agreement will be deemed to have effect as and from the first date upon which the Indemnified Party was appointed or elected as a director or officer of the Corporation or the Interested Corporation, notwithstanding the date of actual execution of this Agreement by the parties hereto.

#### **5.3 Extensions, Modifications**

This Agreement is absolute and unconditional and the obligations of the Corporation will not be affected, discharged, impaired, mitigated or released by the extension of time, indulgence or modification which the Indemnified Party may extend or make with any person regarding any Claim against the Indemnified Party or in respect of any liability incurred by the Indemnified Party in acting as a director or officer of the Corporation or an Interested Corporation.

#### **5.4 Insolvency**

The liability of the Corporation under this Agreement will not be affected, discharged, impaired, mitigated or released by reason of the discharge or release of the Indemnified Party in any bankruptcy, insolvency, receivership or other similar proceeding of creditors.

#### **5.5 Multiple Proceedings**

No action or proceeding brought or instituted under this Agreement and no recovery pursuant thereto will be a bar or defence to any further action or proceeding which may be brought under this Agreement. The

assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

## 5.6 Modification

No modification of this Agreement will be valid unless the same is in writing and signed by the Corporation and the Indemnified Party.

## 5.7 Termination

The obligations of the Corporation will not terminate or be released upon the Indemnified Party ceasing to act as a director or officer of the Corporation or the Interested Corporation at any time or times unless, in acting as a director or officer of an Interested Corporation, the Indemnified Party is no longer doing so at the request or on behalf of the Corporation. Except as otherwise provided, the Corporation's obligations hereunder may be terminated or released only by a written instrument executed by the Indemnified Party.

## 5.8 Notices

Any notice to be given by one party to the other will be sufficient if delivered by hand, deposited in any post office in Canada, registered, postage prepaid, or sent by means of electronic transmission (in which case any message so transmitted will be immediately confirmed in writing and mailed as provided above), addressed, as the case may be:

- (a) To the Corporation:

9500 Glenlyon Parkway  
Burnaby, British Columbia  
V5J 0C6

Attention: Corporate Secretary  
Facsimile: (778) 331-5501

- (b) To the Indemnified Party at such address provided in writing to the Employer.

or at such other address of which notice is given by the parties pursuant to the provisions of this section. Such notice will be deemed to have been received when delivered, if delivered, and if mailed, on the fifth business day (exclusive of Saturdays, Sundays and statutory holidays) after the date of mailing.

Any notice sent by means of electronic transmission will be deemed to have been given and received on the day it is transmitted, provided that if such day is not a business day then the notice will be deemed to have been given and received on the next business day following. In case of an interruption of the postal service, all notices or other communications will be delivered or sent by means of electronic transmission as provided above, except that it will not be necessary to confirm in writing and mail any notice electronically transmitted.

## **5.9 Governing Law**

This Agreement will be governed by and construed in accordance with the laws of the Province of British Columbia and all disputes arising under this Agreement will be referred to and the parties hereto irrevocably attorn to the jurisdiction of the courts of British Columbia.

## **5.10 Further Assurances**

The Corporation and the Indemnified Party agree that they will do all such further acts, deeds or things and execute and deliver all such further documents or instruments as may be necessary or advisable for the purpose of assuring and conferring on the Indemnified Party the rights hereby created or intended, and of giving effect to and carrying out the intention or facilitating the performance of the terms of this Agreement or to evidence any loan or advance made pursuant to Section 4.2 hereof.

## **5.11 Invalid Terms Severable**

If any term, clause or provision of this Agreement will be held to be invalid or contrary to law, the validity of any other term, clause or provision will not be affected and such invalid term, clause or provision will be considered severable and the remaining provisions of this Agreement valid and enforceable to the fullest extent permitted by law.

Without limiting the generality of the foregoing, this Agreement is intended to confer upon Indemnified Party indemnification rights to the fullest extent permitted by applicable laws. In the event any provision hereof conflicts with any applicable law, such provision shall be deemed modified, consistent with the aforementioned intent, to the extent necessary to resolve such conflict.

## **5.12 Binding Effect**

All of the agreements, conditions and terms of this Agreement will extend to and be binding upon the Corporation and its successors and assigns and will enure to the benefit of and may be enforced by the Indemnified Party and her heirs, executors, administrators and other legal representatives, successors and assigns. This Agreement amends, modifies and supersedes any previous agreements between the parties hereto relating to the subject matters hereof.

## **5.13 Independent Legal Advice**

The Indemnified Party acknowledges having been advised to obtain independent legal advice with respect to entering into this Agreement, has obtained such independent legal advice or has expressly determined not to seek such advice, and that is entering into this Agreement with full knowledge of the contents hereof, of the Indemnified Party's own free will and with full capacity and authority to do so.

## **5.14 Extension of Agreement to Additional Interested Corporation**

This Agreement will be deemed to extend and apply, without any further act on behalf of the Corporation or the Indemnified Party, or amendment hereto, to any corporation, society, partnership, association, syndicate, joint venture or trust which may at any time become an Interested Corporation (but, for greater certainty, not with respect to Other Entities) and the Indemnified Party will be deemed to have acted or be acting at the Corporation's or an Interested Corporation's request upon her being first appointed or elected as a director or officer of an Interested Corporation if then serving as a director or officer of the Corporation.

IN WITNESS WHEREOF the Corporation and the Indemnified Party have hereunto set their hands and seals as of the day and year first above written.

THE CORPORATE SEAL OF **RITCHIE** )  
**BROS. AUCTIONEERS** )  
**INCORPORATED** was hereunto affixed in ) C/S  
the presence of: )

By: /s/ Darren Watt )  
Name: Darren J. Watt )  
Title: Corporate Secretary )

SIGNED, SEALED AND DELIVERED by )  
**ANN FANDOZZI** in the )  
presence of: )

/s/ Lauren Fischer )  
Signature )

/s/ Ann Fandozzi )  
**ANN FANDOZZI** )

Lauren Fischer )  
Print Name )

Philadelphia, PA )  
City / State )

Notary )  
Occupation )

**APPENDIX "D"**

**CHANGE OF CONTROL AGREEMENT**

THIS AGREEMENT executed on the 14<sup>th</sup> day of December, 2019.

BETWEEN:

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

(the "**Company**")

AND:

**ANN FANDOZZI**

(the "**Executive**")

WITNESSES THAT WHEREAS:

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

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

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

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

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

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

**1. Definitions**

In this Agreement,

- (a) “Agreement” means this agreement as amended or supplemented in writing from time to time;
- (b) “Annual Base Salary” means the annual salary payable to the Executive by the Company from time to time, but excludes any bonuses and any director’s fees paid to the Executive by the Company;
- (c) “STI Bonus” means the annual short-term incentive bonus the Executive is eligible to earn under the Employment Agreement, in accordance with the short-term incentive bonus plan;
- (d) “Change of Control” means:
  - (i) a Person, or group of Persons acting jointly or in concert, acquiring or accumulating beneficial ownership of more than 50% of the Voting Shares of the Parent Company or a Person, or group of Persons other than Parent Company acting jointly or in concert, acquiring or accumulating beneficial ownership of more than 50% of the Voting Shares of the Company, other than in connection with any internally-driven restructuring or reorganization of the Parent Company’s subsidiary holding structure;
  - (ii) a Person, or Group of Persons acting jointly or in concert, holding at least 25% of the Voting Shares of the Parent Company and being able to change the composition of the Board of Directors by having the Person’s, or Group of Persons’, nominees elected as a majority of the Board of Directors of the Parent Company, or a Person, or Group of Persons other than Parent Company acting jointly or in concert, holding at least 25% of the Voting Shares of the Company and being able to change the composition of the Board of Directors of the Company by having the Person’s, or Group of Persons’, nominees elected as a majority of the Board of Directors of the Company, other than in connection with any internally-driven restructuring or reorganization of the Parent Company’s subsidiary holding structure; or
  - (iii) the arm’s length sale, transfer, liquidation or other disposition of all or substantially all of the assets of the Parent Company or the Company, over a period of one year or less, in any manner whatsoever and whether in one transaction or in a series of transactions or by plan of arrangement.
- (e) “Date of Termination” means the date when the Executive ceases to actively provide services to the Company, or the date when the Company instructs her to stop reporting to work and does not include any period of statutory or reasonable notice or any period of salary continuance or deemed employment;
- (f) “Employment Agreement” means the employment agreement between the Company and the Executive dated December 14<sup>th</sup> 2019;
- (g) “Good Reason” means either:
  - (i) Good Reason as defined in the Employment Agreement; or
  - (ii) the failure of the Company to obtain from a successor to all or substantially all of the business or assets of the Parent Company, or to all or substantially all of the

business or assets of the Company, the successor's agreement to continue to employ the Executive on substantially similar terms and conditions as contained in the Employment Agreement;

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

## **2. Scope of Agreement**

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

## **3. Compensation in Connection with a Termination in Upon or After Change of Control**

- (a) Provided that the Executive has timely executed, and has not revoked, the "Release" as described in Section 10c(iii) of the Employment Agreement (to which this Appendix D is attached), if the Executive's employment with the Company is terminated (i) by the Company for other than Cause upon a Change of Control or within two (2) years following a Change of Control; or (ii) by the Executive for Good Reason upon a Change of Control or within one (1) year following a Change of Control, instead of, and not in addition to the severance benefits set out in the Employment Agreement:
  - (i) the Company will pay to the Executive on the sixtieth (60<sup>th</sup>) day following the Date of Termination (subject to Section 24 of the Employment Agreement) a lump sum cash amount equal to the aggregate of:
    - A. two (2) times Base Salary;
    - B. two (2) times the Executive's then STI Bonus at target;



- C. two (2) times the annual premium cost that would be incurred by the Company to continue to provide to the Executive all health, dental and life insurance benefits provided to the Executive immediately before the Date of Termination;
  - D. the earned and unpaid Base Salary and vacation pay to the Date of Termination; and
  - E. an amount calculated by dividing by 365 the Executive's STI Bonus at target for the fiscal year in which the Date of Termination occurs, and multiplying that number by the number of days completed in the fiscal year as of the Date of Termination.
- (ii) the Sign-On Option and each other outstanding stock option will vest in full;
  - (iii) all of the Executive's other vested and unvested equity based awards will be governed by the terms of the applicable plan; provided, however, that the definitions of "Change of Control," "Cause" and "Good Reason" will be deemed for purposes of the relevant plan to be as defined in this Agreement.
- (b) All amounts payable pursuant to this section 3 are subject to required statutory deductions and withholdings.

#### 4. Limitations on Payments

(a) Reduction of Severance Benefits. If any payment or benefit that the Executive would receive from the Company, the Parent Company or any of their parent or subsidiaries or any other party whether in connection with the provisions in this Agreement or otherwise (the "**Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the U.S. Internal Revenue Code with respect to the Company or any of its parent or subsidiaries, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then the Payment will be equal to the Best Results Amount. The "**Best Results Amount**" will be either (x) the full amount of the Payment or (y) a lesser amount that would result in no portion of the Payment being subject to the Excise Tax, whichever of those amounts, taking into account the applicable U.S. and non-U.S. federal, state, local, provincial and cantonal employment taxes, income taxes, the Excise Tax and all other applicable taxes, results in the Executive's receipt, on an after-tax basis, of the greater amount. If a reduction in payments or benefits constituting parachute payments is necessary so that the Payment equals the Best Results Amount, reduction will occur in the following order: (A) reduction of cash payments in reverse chronological order (that is, the cash payment owed on the latest date following the occurrence of the event triggering the excise tax will be the first cash payment to be reduced); (B) cancellation of equity awards that were granted "contingent on a change in ownership or control" within the meaning of Section 280G of the Code in the reverse order of date of grant of the awards (that is, the most recently granted equity awards will be cancelled first); (C) reduction of the accelerated vesting of equity awards in the reverse order of date of grant of the awards (that is, the vesting of the most recently granted equity awards will be cancelled first); and (D) reduction of employee benefits in reverse chronological order (that is, the benefit owed on the latest date following the occurrence of the event triggering the excise tax will be the first benefit to be reduced). In no event will the Executive have any discretion with respect to the ordering of Payment reductions.

(b) Determination of Excise Tax Liability. Unless the Company and the Executive otherwise agree in writing, any determination required under this Section will be made in writing by a nationally recognized firm of independent public accountants selected by the Company (the

“Accountants”), whose determination will be conclusive and binding upon Executive and the Company for all purposes. Notwithstanding the foregoing, if Executive reasonably and in good faith disagrees with all or a portion of such determination, (i) Executive may require the Company to seek, at the personal cost of Executive, prior to finalization of the calculations, a second opinion by another nationally recognized firm of independent public accountants selected by Executive; and (ii) such second opinion shall be considered by the Accountants, and the Accountants will engage in discussions in good faith with the preparers of the second opinion to reach agreement upon a final determination, provided that if such agreement cannot be reached, the determination of the Accountants (as it may be revised following consideration of the second opinion) will be final. The Company agrees that it will require the Accountants (or such other independent firm with expertise in valuing non-competition arrangements for purposes of Section 280G calculations on which the parties mutually and reasonably agree, which firm will also be considered to be “Accountants” for purposes of the remainder of this Section) to value, for purposes of consideration in the Section 280G calculations, the restrictions on competition set forth in Section 15 of the Employment Agreement and any other restrictions on competition relating to the Executive imposed at any time prior to, or in connection with a Change of Control (including, for the avoidance of doubt, any such restrictions agreed to or required by the definitive agreement (or related agreement) under which the Change of Control will be effected, even if such restrictions will take effect following the Change of Control. For purposes of making the calculations required by this Section, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the U.S. Internal Revenue Code. The Company and Executive will furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company will bear all costs and make all payments for the Accountant’s services in connection with any calculations contemplated by this Section, subject to the Executive being responsible for the cost of obtaining a second opinion from a separate accounting firm where the Executive so requests.

## **5. Binding on Successors**

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

## **6. No Obligation to Mitigate; No Other Agreement**

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

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

## **7. Exhaustive Compensation**

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

## **8. Amendment and Waiver**

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

## **9. Choice of Law**

This Agreement will be governed and interpreted in accordance with the laws of the Province of British Columbia, which will be the proper law hereof. All disputes and claims will be resolved in strict confidence as follows:

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

- a. Amicable Negotiation – The parties agree that, both during and after the performance of their responsibilities under this Agreement, each of them will make *bona fide* efforts to resolve any disputes arising between them via amicable negotiations;
- b. Mediation – If the parties are unable to negotiate resolution of a dispute, either party may refer the dispute to mediation by providing written notice to the other party. If the parties cannot agree on a mediator within thirty (30) calendar days of receipt of the notice to mediate, then either party may make application to Judicial Dispute Resolution, LLC, of Seattle, Washington to have one appointed. The mediation will be held in Seattle, Washington, in accordance with the rules of the selected or appointed mediator, and each party will bear its own costs, including one-half share of the mediator’s fees.
- c. Arbitration – If, after mediation, the parties have been unable to resolve a dispute and the mediator has been inactive for more than 90 days, or such other period agreed to in writing by the parties, either party may refer the dispute to JAMS of Seattle, Washington for final and binding arbitration by providing written notice to the other party. If the parties cannot agree on an arbitrator within thirty (30) calendar days of receipt of the notice to arbitrate, then either party may make application to JAMS to appoint one. If one party elects to use a three-arbitrator panel, rather than a single arbitrator, the party shall provide written notice to the other side. When a three-arbitrator panel is requested, both parties will select one arbitrator each from JAMS. The parties may jointly select a third arbitrator. If the parties cannot agree on a third arbitrator within thirty (30) calendar days of receipt of selection of the first arbitrator chosen by a party, the arbitrators chosen by each of the parties shall select a third

arbitrator. The arbitration will be held in Seattle, Washington, in accordance with the JAMS Employment Arbitration Rules & Procedures and each party will bear its own costs, including one-half share of the arbitrator's (or arbitrators') fees.

### **Severability**

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

### **10. Notices**

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

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

(b) if to the Company:

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

### **11. Copy of Agreement**

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

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

By: /s/ Darren Watt

Name: Darren Watt

SIGNED, SEALED AND DELIVERED by )  
ANN FANDOZZI in the )  
presence of: )  
\_\_\_\_\_/s/ Lauren Fischer )  
Signature )  
\_\_\_\_\_  
Lauren Fischer )  
Print Name )  
\_\_\_\_\_  
Philadelphia, PA )  
City / State )  
\_\_\_\_\_  
Notary )  
Occupation )

\_\_\_\_\_/s/ Ann Fandozzi )  
ANN FANDOZZI )

Name of subsidiary	Incorporation	Ownership Interest	Principal activity
<b>Ritchie Bros. Holdings Inc.</b>	USA (Washington)	100%	Holding company
<b>RBA Holdings Inc.</b>	USA (Delaware)	100%	Holding company
<b>Ritchie Bros. Holdings (America) Inc.</b>	USA (Washington)	100%	Holding company
<b>Ritchie Bros. Auctioneers (America) Inc.</b>	USA (Washington)	100%	Auction services
<b>Ritchie Bros. Properties Inc.</b>	USA (Washington)	100%	Property management
<b>Ritchie Bros. Financial Services (America) Inc.</b>	USA (Washington)	100%	Brokerage services
<b>AssetNation, Inc.</b>	USA (Delaware)	100%	E-commerce marketplace
<b>Mascus USA Inc.</b>	USA (Florida)	100%	E-commerce marketplace
<b>Xcira, LLC</b>	USA (Delaware)	75%	Auction services
<b>SalvageSale Mexico Holding LLC</b>	USA (Delaware)	100%	Holding company
<b>IronPlanet Holdings, Inc.</b>	USA (Delaware)	100%	
<b>Associated Auction Services, LLC</b>	USA (Delaware)	100%	
<b>IronPlanet, Inc</b>	USA (Delaware)	100%	
<b>IronPlanet Motors, LLC</b>	USA (Delaware)	100%	
<b>Kruse Energy &amp; Equipment Auctioneers, LLC</b>	USA (Texas)	100%	
<b>IronPlanet Mexico, S. de R.L. de C.V.</b>	Mexico	100%	
<b>Leake Auction Company</b>	USA (Oklahoma)	100%	Auction services
<b>Ritchie Bros. Holdings Ltd.</b>	Canada	100%	Holding company
<b>Ritchie Bros. Auctioneers (Canada) Ltd.</b>	Canada	100%	Auction services
<b>Ritchie Bros. Real Estate Service Ltd.</b>	Canada	100%	Real estate services
<b>Ritchie Bros. Properties Ltd.</b>	Canada	100%	Property management
<b>Ritchie Bros. Financial Services Ltd.</b>	Canada	100%	Brokerage services
<b>Ritchie Bros. Auctioneers (International) Ltd.</b>	Canada (B.C)	100%	Holding company
<b>IronPlanet Canada Ltd.</b>	Canada	100%	
<b>Ritchie Bros. Investment Holdings (Luxembourg) SARL</b>	Cyprus	100%	Holding company
<b>Ritchie Bros. Auctioneers (ME) Limited</b>	Cyprus	100%	Auction services
<b>Ritchie Bros. Auctioneers India Private Limited</b>	India	100%	Auction services
<b>IronPlanet Limited</b>	Ireland	100%	
<b>Ritchie Bros. Holdings B.V.</b>	The Netherlands	100%	Holding company
<b>Ritchie Bros. B.V.</b>	The Netherlands	100%	Auction services
<b>Ritchie Bros. Shared Services B.V.</b>	The Netherlands	100%	Administrative services
<b>Ritchie Bros. Properties B.V.</b>	The Netherlands	100%	Property management
<b>Mascus International Holdings B.V.</b>	The Netherlands	100%	E-commerce marketplace
<b>Mascus International B.V.</b>	The Netherlands	100%	E-commerce marketplace
<b>Mascus IP B.V.</b>	The Netherlands	100%	E-commerce marketplace
<b>Mascus A/S</b>	The Netherlands	100%	E-commerce marketplace
<b>Ritchie Bros. Finland Oy</b>	Finland	100%	E-commerce marketplace
<b>Ritchie Bros. Sweden AB</b>	Sweden	100%	E-commerce marketplace
<b>Ritchie Bros. Polska Sp. Z.o.o.</b>	Poland	100%	Auction services
<b>Ritchie Bros. Properties S.r.l.</b>	Italy	100%	Property management
<b>Ritchie Bros. Italia S.r.l.</b>	Italy	100%	Auction services
<b>Ritchie Bros. Auctioneers (Spain) S.L.U.</b>	Spain	100%	Auction services
<b>Ritchie Bros. Properties (Spain) S.L.U.</b>	Spain	100%	Property management
<b>Ritchie Bros. UK Limited</b>	United Kingdom	100%	Auction services
<b>IronPlanet UK Limited</b>	United Kingdom	100%	
<b>IronPlanet Field Ltd.</b>	United Kingdom	100%	
<b>Ritchie Bros. Deutschland GmbH</b>	Germany	100%	Auction services
<b>Ritchie Bros. Auctioneers France SAS</b>	France	100%	Auction services
<b>R.B. Services SARL</b>	France	100%	Administrative services
<b>R.B. Holdings SARL</b>	France	100%	Holding company
<b>R.B. Properties EURL</b>	France	100%	Property management

**Exhibit 21.1**

<b>Ritchie Bros. Holdings Pty Ltd.</b>	Australia	100%	Holding company
<b>Ritchie Bros. Auctioneers Pty Ltd.</b>	Australia	100%	Auction services
<b>Ritchie Bros. Properties Pty Ltd.</b>	Australia	100%	Property management
<b>Ritchie Bros. Properties Japan K.K.</b>	Japan	100%	Property management
<b>Ritchie Bros. Auctioneers (Japan) K.K.</b>	Japan	100%	Auction services
<b>Ritchie Bros. Auctioneers Pte Ltd.</b>	Singapore	100%	Auction services
<b>Ritchie Bros. Auctioneers (Beijing) Co. Ltd.</b>	China	100%	Auction services
<b>Ritchie Auction (Beijing) Co. Ltd.</b>	China	100%	Auction services
<b>Ritchie Bros. Auctioneers Mexico Services, S. de R.L. de C.V.</b>	Mexico	100%	Administrative services
<b>Ritchie Bros. Auctioneers de Mexico, S. de R.L. de C.V.</b>	Mexico	100%	Auction services
<b>Ritchie Bros. Properties, S. de R.L. de C.V.</b>	Mexico	100%	Property management
<b>SalvageSale De Mexico S. de R.L. de C.V.</b>	Mexico	100%	E-commerce marketplace
<b>SalvageSale Servicios, S. de R.L. de C.V.</b>	Mexico	100%	Administrative services
<b>Ritchie Bros. Auctioneers (Panama) S.A.</b>	Panama	100%	Auction services
<b>Ritchie Bros. Auctioneers Comercial de Equipamentos Industriais Ltda</b>	Brazil	100%	Administrative services
<b>Ritchie Bros. Auctioneers Muzayede Danismanlik ve Ticaret Limited Sirketi</b>	Turkey	100%	Auction services
<b>Ritchie Bros. Holdings Luxembourg SARL</b>	Luxembourg	100%	Holding company
<b>Ritchie Bros. Luxembourg SARL</b>	Luxembourg	100%	Holding company
<b>Ritchie Bros. (NZ) Limited</b>	New Zealand	100%	Auction Services

**Exhibit 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-65533, 333-188350, 333-202636, 333-211112, 333-213114, 333-218398, 333-221439 and 333-231330) of **Ritchie Bros. Auctioneers Incorporated** of our reports dated February 27, 2020, with respect to the consolidated financial statements of **Ritchie Bros. Auctioneers Incorporated** and the effectiveness of internal control over financial reporting of **Ritchie Bros. Auctioneers Incorporated** included in this Annual Report (Form 10-K) of **Ritchie Bros. Auctioneers Incorporated** for the year ended December 31, 2019.

Vancouver, Canada  
February 27, 2020

/s/Ernst & Young LLP  
Chartered Professional Accountants



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

I, Ann Fandozzi, certify that:

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

Date: February 27, 2020

*/s/ Ann Fandozzi*

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Ann Fandozzi  
*Chief Executive Officer*

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

I, Sharon R. Driscoll, certify that:

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

Date: February 27, 2020

*/s/ Sharon R. Driscoll*

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Sharon R. Driscoll  
Chief Financial Officer

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

In connection with the Annual Report of Ritchie Bros. Auctioneers Incorporated (the "Company") on Form 10-K for the period ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ann Fandozzi, Chief Executive Officer, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: February 27, 2020

*/s/ Ann Fandozzi*

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Ann Fandozzi  
*Chief Executive Officer*

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

In connection with the Annual Report of Ritchie Bros. Auctioneers Incorporated (the "Company") on Form 10-K for the period ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sharon R. Driscoll, Chief Financial Officer, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: February 27, 2020

*/s/ Sharon R. Driscoll*

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Sharon R. Driscoll  
*Chief Financial Officer*