ITEM 2: MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Note Regarding Forward-Looking Statements

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

While we have not described all potential risks related to our business and owning our common shares, the important factors discussed in “Part II, Item 1A: Risk Factors” of this Quarterly Report on Form 10-Q and in “Part I, Item 1A: Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2020, which is available on our website at *www.rbauction.com*, on EDGAR at *www.sec.gov*, or on SEDAR at *www.sedar.com*, are among those that we consider may affect our performance materially or could cause our actual financial and operational results to differ significantly from our expectations. Except as required by applicable securities law and regulations of relevant securities exchanges, we do not intend to update publicly any forward-looking statements, even if our expectations have been affected by new information, future events or other developments.

We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles (“US GAAP”). Except for Gross Transaction Value (“GTV”)[1], which is a measure of operational performance and not a measure of financial performance, liquidity, or revenue, the amounts discussed below are based on our consolidated financial statements. Unless indicated otherwise, all tabular dollar amounts, including related footnotes, presented below are expressed in thousands of United States (“U.S.”) dollars.

In the accompanying analysis of financial information, we sometimes use information derived from consolidated financial data but not presented in our financial statements prepared in accordance with US GAAP. Certain of these data are considered “non-GAAP financial measures” under the SEC rules. The definitions and reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable US GAAP financial measures are included either with the first use thereof or in the Non-GAAP Measures section within the MD&A. Non-GAAP financial measures referred to in this report are labeled as “non-GAAP measure” or designated as such with an asterisk (*). Please see pages 45-49 for explanations of why we use these non-GAAP measures and the reconciliation to the most comparable GAAP financial measures.

Overview

Ritchie Bros. Auctioneers Incorporated (“Ritchie Bros.”, the “Company”, “we”, or “us”) (NYSE & TSX: RBA) was founded in 1958 in Kelowna, British Columbia, Canada and is a world leader in asset management technologies and disposition of commercial assets, selling $5.41 billion of used equipment and other assets during 2020. 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 our unreserved auctions at over 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 commercial assets, including earthmoving equipment, truck tractors, 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 also provide our customers with a wide array of other services aligned with our growth strategy to create a global marketplace for used equipment services and solutions. Our other services include equipment financing, asset appraisals and inspections, online equipment listing, logistical services, and ancillary services such as equipment refurbishment. Additionally, we offer our customers asset technology solutions to manage the end to end disposition process of their assets and provide market data intelligence to make more accurate and reliable business decisions.

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

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 2,600 full time employees worldwide.

Impact of COVID-19 to our Business

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which quickly spread throughout the world resulting in significant global economic disruption that materially impacted several countries and regions in which we operate, including the United States, Canada, Europe, the Middle East, Australia and Asia. It has resulted in travel restrictions, economic uncertainty, and business slowdowns or shutdowns in affected areas and has negatively disrupted global manufacturing and workforce participation, including our own.

In Q2, 2021, our ability to move equipment to and from our auction sites, and across borders continues to vary regionally with Asia and Australia continuing to be negatively impacted as regional governments continue to enforce travel restrictions and quarantine requirements. In these regions, the restrictions have also resulted in some challenges in customer interactions and challenges for our customers to complete equipment inspections. In our International region, travel and quarantine restrictions are slowly being lifted as people become vaccinated, which is slowly driving up our auction volumes as equipment can be moved between borders more easily. In the United States and Canada, COVID-19 has not materially impacted on our ability to operate our businesses and move equipment. Globally, a recent surge in shipping and freight costs combined with extended lead times is making transportation of equipment both more costly and challenging which is negatively impacting the buying and selling behaviours of our customers. Additionally, COVID-19 is still impacting the supply chains of new equipment production which is negatively affecting the supply of used equipment being sold through all our regions, most predominantly in North America.

Our top priority regarding the COVID-19 pandemic remains the health and welfare of our employees, customers, suppliers and others with whom we partner to run our business activities. We continue to adhere to all local government and jurisdictional safety guidelines, and, in some instances, we are applying additional over-and-above safety measures. Many of our employees continue to work from home on a temporary basis and travel continues to be quite limited given ongoing travel restrictions.

Since the beginning of the COVID-19 pandemic, we continue to be able to operate and serve our customers' equipment and immediate liquidity needs through our platform of auction technology solutions and online auction capabilities. In addition to running our IronPlanet weekly featured online auction, our online Marketplace-E solution and our GovPlanet online auctions, we modified our operations in March 2020 to transition all of our traditional live on site industrial auctions and events to online bidding. Buyers are generally still able to visit our auction sites in advance of the auctions to conduct inspections and pick up equipment post auction, but we have not been holding live auction events in our theatres. As restrictions ease in the US and elsewhere we will be considering a transition back to some measure of in-person attendance at our on site auction events.

Our priority is to continue to support our employees, and we are actively monitoring the situation and changing dynamics in each of our respective regions and adjusting our operations as necessary. To this date, layoffs or furlough activities related to the COVID-19 pandemic have been limited in scope.

The extent of the ongoing impact of the COVID-19 pandemic on our operational and financial performance, including our ability to execute our business strategies and initiatives, will depend on future developments, including the duration and spread of the pandemic in light of new variants, time of mass vaccine distribution, and any related restrictions placed by respective global governments, as well as supply and demand impacts driven by our consignor and buyer base, all of which are uncertain and cannot be easily predicted. Although at the time of this filing, we continue to operate our auctions in all regions, there is no assurance that our operations could not be impacted in the future.

We continue to actively monitor the evolving impact COVID-19 is having in the world and remain ready to take further actions or adjust our response based on any new governmental guidance or recommendations. It is unknown how long the pandemic will last, or whether we will see a resurgence of cases as new variants develop or spread, how many people are ultimately going to be affected by it, and the long-term implications to local or global economies. Equally, it is still not easily discernable to understand the real effects of the COVID-19 pandemic on equipment supply, buyer demand, and potential pricing volatility, or the potential impact on our buyers' ability to pay or secure financing. Additionally, there is a level of uncertainty over the long-term impact the COVID-19 pandemic may have on our third party vendors, partners and the service providers with whom we currently do business with today. As such, given the ongoing nature of the COVID-19 pandemic, we are not able to reasonably estimate the future impacts on our business operations, results of operations, cash flows, financial performance or our ability to pay dividends.

Service Offerings
We offer our equipment seller and buyer customers multiple distinct, complementary, multi-channel brand solutions that address the range of their needs. Our global customer base has a variety of transaction options, breadth of services, and the widest selection of used equipment available to them. For a complete listing of channels and brand solutions available under our Auctions & Marketplace ("A&M") segment, as well as our Other Services segment, please refer to our Annual Report on Form 10-K for the year ended December 31, 2020, which is available on our website at *www.rbauction.com*, on EDGAR at *www.sec.gov*, or on SEDAR at *www.sedar.com*.

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

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

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

Value-added services
We also provide a wide array of value-added services to make the process of selling and buying equipment convenient for our customers, including repair and refurbishment services, financial services through Ritchie Bros. Financial Services (“RBFS”), logistical services through RB Logistics, end to end asset management and disposition services through RB Asset Solutions, as well as other services such as appraisals, insights, data intelligence and performance benchmarking solutions.

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

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

Revenue Mix Fluctuations
Our revenue is comprised of service revenue and inventory sales revenue. Service revenue from A&M segment activities include commissions earned at our 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 Segment as fees within service revenue. Inventory sales revenue is recognized as part of our A&M activities and relates to revenues earned through our inventory contracts.

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

Performance Overview

Net income attributable to stockholders increased 15% to $60.7 million, compared to $53.0 million in Q2 2020. Diluted earnings per share (“EPS”) attributable to stockholders increased 12% to $0.55 per share in Q2 2021 as compared to $0.49 per share in Q2 2020. Diluted adjusted EPS attributable to stockholders* increased 2% to $0.55 per share in Q1 2021 compared to $0.54 per share in Q2 2020.

For the second quarter of 2021 as compared to the second quarter of 2020:

Consolidated results:

- Total revenue in Q2 2021 increased 2% to $396.4 million
  - Service revenue in Q2 2021 increased 8% to $252.7 million
  - Inventory sales revenue in Q2 2021 decreased 7% to $143.6 million
- Total selling, general and administrative expenses (“SG&A”) in Q2 2021 increased 11% to $111.8 million
- Operating income in Q2 2021 increased 1% to $89.5 million
- Net income in Q2 2021 increased 14% to $60.8 million
- Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization* (“EBITDA”) (non-GAAP measure) in Q2 2021 increased 5% to $112.3 million
- Cash provided by operating activities was $211.4 million for the first half of 2021
- Cash on hand at Q2 2021 was $442.7 million, of which $301.8 million was unrestricted

Auctions & Marketplaces segment results:

- GTV in Q2 2021 increased 2% to $1.5 billion and decreased 3% when excluding the impact of foreign exchange
- A&M total revenue in Q2 2021 remained flat at $355.1 million
  - Service revenue in Q2 2021 increased 6% to $211.5 million
  - Inventory sales revenue in Q2 2021 decreased 7% to $143.6 million

Other Services segment results:

- Other Services total revenue in Q2 2021 increased 20% to $41.3 million
  - RBFS revenue in Q2 2021 increased 39% to $11.8 million
  - Rouse revenue of $6.2 million was recognized in Q2 2021, which was its second full quarter since its acquisition on December 8, 2020
- Total number of organizations activated on our business management system “IMS” increased by 34%

Other Company developments:

- Increased quarterly cash dividend by 14% to $0.25 per share

Results of Operations

Financial overview

(in U.S. $000's, except EPS and percentages)	Three months ended June 30, 2021	2020	% Change 2021 over 2020	Six months ended June 30, 2021	2020	% Change 2021 over 2020
Service revenue:						
Commissions	$ 129,334	$ 125,465	3 %	$ 233,309	$ 218,950	7 %
Fees	123,414	108,674	14 %	225,469	198,312	14 %
Total service revenue	252,748	234,139	8 %	458,778	417,262	10 %
Inventory sales revenue	143,613	154,911	(7)%	269,138	245,043	10 %
Total revenue	396,361	389,050	2 %	727,916	662,305	10 %
Costs of services	39,042	39,448	(1)%	75,069	78,803	(5)%
Cost of inventory sold	131,023	143,134	(8)%	241,770	224,719	8 %
Selling, general and administrative expenses	111,819	100,632	11 %	227,897	199,017	15 %
Operating expenses	306,844	300,250	2 %	593,897	539,423	10 %
Operating income	89,517	88,800	1 %	134,019	122,882	9 %
Operating income as a % of total revenue	22.6 %	22.8 %	(20)bps	18.4 %	18.6 %	(20)bps
Net income attributable to stockholders	60,749	53,043	15 %	88,937	75,851	17 %
Adjusted net income attributable to stockholders*	60,749	59,271	2 %	88,937	82,079	8 %
Diluted earnings per share attributable to stockholders	$ 0.55	$ 0.49	12 %	$ 0.80	$ 0.69	16 %
Diluted adjusted EPS attributable to stockholders*	$ 0.55	$ 0.54	2 %	$ 0.80	$ 0.75	7 %
Effective tax rate	25.7 %	34.2 %	(850)bps	24.9 %	30.5 %	(560)bps
Total GTV	1,527,642	1,493,982	2 %	2,802,182	2,641,006	6 %
Service GTV	1,384,029	1,339,071	3 %	2,533,044	2,395,963	6 %
Service revenue as a % of total GTV	16.5 %	15.7 %	80 bps	16.4 %	15.8 %	60 bps
Inventory GTV	143,613	154,911	(7)%	269,138	245,043	10 %
Service revenue as a % of total revenue	63.8 %	60.2 %	360 bps	63.0 %	63.0 %	— bps
Inventory sales revenue as a % of total revenue	36.2 %	39.8 %	(360)bps	37.0 %	37.0 %	— bps
Cost of inventory sold as a % of operating expenses	42.7 %	47.7 %	(500)bps	40.7 %	41.7 %	(100)bps
Service GTV as a % of total GTV - Mix	90.6 %	89.6 %	100 bps	90.4 %	90.7 %	(30)bps
Inventory sales revenue as a % of total GTV - Mix	9.4 %	10.4 %	(100)bps	9.6 %	9.3 %	30 bps

Total GTV

Total GTV increased 2% to $1.5 billion in Q2 2021 and increased 6% to $2.8 billion in the first half of 2021. Total GTV decreased 3% in Q2 2021 and increased 2% in the first half of 2021, when excluding the impact of foreign exchange.

In Q2 2021, GTV grew primarily in International and Canada, offset by lower volume in the US. All regions continued to experience very strong mix adjusted auction price performance due to high demand for used equipment, in part aided by our digital marketing efforts. However, despite higher mix adjusted pricing, we experienced headwinds due to negative mix impacts driven in part by older aged equipment in the transportation and construction sectors. This combined with auction calendar shifts of $52 million from the impact of the COVID-19 pandemic that were shifted from Q1 into Q2 2020 that did not repeat in Q2 2021 led to lower GTV. In International, the increased volumes were driven by an improved economic climate and the benefit from the use of new satellite yards in France, Germany and Australia coupled with a favourable foreign exchange impact partially offset by the auction shift of Caorso, Italy. In Canada, we benefited from a favourable foreign exchange impact, higher performance at our Toronto auction, and increased volume from providing escrow services for private brokered transactions in RBFS, offset by lower overall volumes in Edmonton and Grand Prairie as well as the shift of our Montreal auction. In the US, we saw lower volumes due to the shift of our Los Angeles auction, the non-repeat of a large supply contract, lower activity due to supply constraints mainly in our Fort Worth auction and Denver regional combined events. In addition, lower volumes in our US strategic accounts in the finance, OEM and transportation sectors also contributed to lower GTV, partially offset by positive online performance.

For the first half of 2021, total GTV increased 6% in line with favourable impact of foreign exchange, higher volumes in International partially offset by lower volumes in Canada and the US for the same reasons as discussed above. In addition, we saw lower volumes at the Orlando and Las Vegas, US auctions, and the non-repeat of a collector car event.

Total revenue

Total revenue increased 2% to $396.4 million in Q2 2021, with total service revenue increasing by 8%, offset by a decrease in inventory sales revenue by 7%. Total revenue increased 10% to $727.9 million for the first half of 2021.

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

Service Revenue

Q2 2021

In Q2 2021, total service revenue increased 8% with fees revenue increasing 14% and commissions revenue increasing 3%. Service revenues comprise of commissions which are earned on Service GTV, and Fees which are earned on total GTV as well as from our other services such as Ancillary Services, RBFS, Rouse, Mascus, RB Logistics and RB Asset Solutions.

Service GTV increased 3% to $1.4 billion in line with strong pricing, favourable foreign exchange, partially offset by unfavourable mix. By region, we saw higher GTV mainly in International and Canada due to higher activity, offset by lower volumes in the US due to equipment supply constraints and mix. International saw significantly higher volumes in Australia, the Middle East, Spain and Italy, primarily as a result of improved market economic conditions and the lifting of border and travel restrictions from the recovery of the COVID-19 pandemic. The region also benefited from the shifting of the Polotitlan, Mexico auction and new satellite yards in Europe, slightly offset by the shifting of the Caorso, Italy auction. In Canada, Service GTV grew due to a strong foreign exchange impact, positive year-over-year performance in our Toronto auction, offset by the shifting of our Montreal auction and overall softer performance in Edmonton and Grand Prairie. In addition, Canada service GTV grew as a result of increased escrow services provided by RBFS for private brokered transactions through our Marketplace-E platform. In the US, Service GTV decreased due to the shifting of our Los Angeles auction, lower volumes in the Denver combined regional auction events as well as in our Fort Worth auction, and the non-repeat of a large supply contract. These decreases were partially offset by higher Service GTV sold through our online platform and in our GovPlanet business.

Fees revenue increased 14%, mainly due to fee revenue from the acquisition of Rouse, higher fees driven by higher funded volume in RBFS, and higher buyer fees in line with higher GTV of 2%. Buyer fees also increased from the revised global buyer-fee structure implemented on May 1, 2021, the re-instatement of fees at the Canadian on-the-farm auctions which were waived in Q2 2020 as part of our COVID-19 pandemic response, as well as higher buyer fee structures in both Australia and in our GovPlanet business. These increases were partially offset by lower fees as a result of lower activity in our Ancillary services, lower fees on mix of lower proportion of small value lots and lower document fees in the US driven by a decline in the total number of titled lots sold.

Commissions revenue increased 3%, in line with the increase in Service GTV of 3%.

First half of 2021

For the first half of 2021, total service revenue increased 10% with fees revenue increasing 14% and commissions revenue increasing 7%.

Service GTV increased 6% to $2.5 billion with increases in International and Canada offsetting lower performances in the US for the same reasons as discussed above. In addition, lower Service GTV in the US was driven by lower volumes at our Orlando and Las Vegas auctions, and the non-repeat of a collector car event.

Fees revenue increased 14%, partially related to the increase in total GTV of 6%. The remaining increase was due to the same reasons as discussed above, and partially offset by the reduction in fees revenue in the US resulting from the non-repeat of a collector car event.

Commissions revenue increased 7%, largely driven by the increase in Service GTV of 6%.

Inventory Sales Revenue

Inventory sales revenue as a percentage of total GTV decreased to 9.4% from 10.4% in Q2 2021 and increased to 9.6% from 9.3% in the first half of 2021.

In Q2 2021, inventory sales revenue decreased 7% representing a lower mix of volumes of inventory contracts, partially offset by higher pricing. In both the US and Canada, an unfavourable supply environment impacted the volumes at our auctions in Fort Worth, US and Orlando, US and Edmonton, Canada. These decreases were partially offset by strong year-over-year performance in our International region primarily driven by large private treaty transactions in Australia, and in the Middle East due to higher volumes benefiting from overall improved economic conditions from the recovery of the COVID-19 pandemic. In addition, we saw increased volumes sold through our GovPlanet business as a result of the new non-rolling and rolling stock contracts effective June 1, 2021 and higher volumes due to the government shutdowns in prior year in response to the COVID-19 pandemic.

For the first half of 2021, inventory sales revenue increased 10% primarily due to a higher mix of inventory contracts, as well as strong performances in International as discussed above and the addition of several new auctions held across various countries in Europe.

We offer our customers the opportunity to use underwritten commission contracts to serve their disposition strategy needs, entering into such contracts where the risk and reward profile of the terms are agreeable. Our underwritten contracts, which includes inventory and guarantee contracts decreased to 17.6% in Q2 2021 compared to 24.6% in Q2 2020. For the first half of 2021, our underwritten contracts were 16.3% compared to 20.4% in the prior period.

Operating Income

For Q2 2021, operating income increased 1% or $0.7 million to $89.5 million, primarily due to a favourable impact of foreign exchange fluctuation, flow through from higher service revenues, partially offset by higher selling, general and administrative expenses, and incremental acquisition-related costs and depreciation and amortization associated with the acquisition of Rouse in Q4 2020. For the first half of 2021, operating income increased 9% or $11.1 million to $134.0 million, primarily for the same reasons above, as well as higher revenue rates on inventory sales offset by higher severance costs relating to ongoing operations of the business.

Income tax expense and effective tax rate

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

For Q2 2021, income tax expense decreased 24% to $21.1 million and our effective tax rate decreased 850 bps to 25.7% as compared to Q2 2020. For the first half of 2021, income tax expense decreased 11% to $29.5 million and our effective tax rate decreased 560 bps to 24.9% as compared to the first half of 2020.

Decrease in the effective tax rate for Q2 2021 was primarily due a decrease in the estimate of non-deductible expenses. Partially offsetting this decrease was a higher estimate of income taxed in jurisdictions with higher tax rates.

On April 8, 2020 by the United States Department of Treasury and the Internal Revenue Service ("IRS") clarified income tax benefits related to hybrid financing arrangements would not be deductible ("Hybrid Interest"). The lower estimate of non-deductible expenses is primarily due to the net income tax benefits of approximately $6.2 million in the twelve months ended December 31, 2019 and $1.1 million in the three months ended March 31, 2020 which were no longer deductible and accordingly were reversed in the three months ended June 30, 2020.

Decrease in the first half of 2021 was primarily due to the reasons described above. In addition, there was a higher tax deduction for share unit expenses in excess of compensation expense.

Net income

In Q2 2021, net income attributable to stockholders increased 15% to $60.7 million, primarily related to the decrease in the effective tax rate, as discussed above, and higher operating income. For the first half of 2021, net income attributable to stockholders increased 17% to $89.0 million, primarily for the same reasons noted above.

Diluted EPS

Diluted EPS attributable to stockholders increased 12% to $0.55 per share for Q2 2021 and increased 16% to $0.80 per share for the first half of 2021.

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	2021	2020	% Change 2021 over 2020
Period-end exchange rate			
Canadian dollar	0.8067	0.7367	10 %
Euro	1.1857	1.1235	6 %
Australian dollar	0.7499	0.6902	9 %
Average exchange rate -Three months ended June 30,			
Canadian dollar	0.8139	0.7210	13 %
Euro	1.2046	1.1009	9 %
Australian dollar	0.7698	0.6557	17 %
Average exchange rate -Six months ended June 30,			
Canadian dollar	0.8139	0.7334	11 %
Euro	1.2046	1.1021	9 %
Australian dollar	0.7698	0.6572	17 %

For Q2 2021, foreign exchange had a favourable impact on total revenue and an unfavourable impact on expenses. These impacts were primarily due to the fluctuations in the Australian dollar, Canadian dollar, and the Euro exchange rates relative to the U.S. dollar.

Non-GAAP Measures

As part of management's non-GAAP measures, we may eliminate the financial impact of adjusting items which are after-tax effects of significant non-recurring items that we do not consider to be part of our normal operating results, such as acquisition-related costs, management reorganization costs, severance, retention, gains/losses on sale of an equity accounted for investment, plant and equipment, impairment losses, and certain other items, which we refer to as 'adjusting items'. There were no adjusting items in Q2 2021 or Q2 2020.

Adjusted net income attributed to stockholders (non-GAAP measure) increased 2% to $60.7 million in Q2 2021 and increased 8% to $88.9 million for the first half of 2021.

Diluted Adjusted EPS attributable to stockholders (non-GAAP measure) increased 2% to $0.55 per share in Q2 2021 and increased 7% to $0.80 per share for the first half of 2021.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") (non-GAAP measure) increased 5% to $112.3 million in Q2 2021 and increased 9% to $178.6 million for the first half of 2021.

Debt at the end of Q2 2021, represented 3.7 times net income as at and for the 12 months ended June 30, 2021. This compares to debt at Q2 2020, which represented 4.3 times net income as at and for the 12 months ended June 30, 2020. The decrease in this debt/net income multiplier was primarily due to higher operating income driving higher net income as at June 30, 2021 compared to June 30, 2020. The adjusted net debt/adjusted EBITDA (non-GAAP measure) was 1.0 times as at and for the 12 months ended June 30, 2021 compared to 0.9 times as at and for the 12 months ended June 30, 2020.

Segment Performance

We provide our customers with a wide array of services. The following table presents a breakdown of our consolidated results between the A&M segment and Other Services segment. A complete listing of channels and brand solutions under the A&M segment, as well as our Other Services segment, is available in our Annual Report on Form 10-K for the year ended December 31, 2020.

	Three months ended June 30, 2021			Six months ended June 30, 2021		
(in U.S $000's)	A&M	Other	Consolidated	A&M	Other	Consolidated
Service revenue	$ 211,475	$ 41,273	$ 252,748	$ 382,230	$ 76,548	$ 458,778
Inventory sales revenue	143,613	—	143,613	269,138	—	269,138
Total revenue	355,088	41,273	396,361	651,368	76,548	727,916
Ancillary and logistical service expenses	—	14,819	14,819	—	27,088	27,088
Other costs of services	21,985	2,238	24,223	43,575	4,406	47,981
Cost of inventory sold	131,023	—	131,023	241,770	—	241,770
SG&A expenses	101,417	10,402	111,819	205,762	22,135	227,897
Segment profit	100,663	13,814	114,477	160,261	22,919	183,180

	Three months ended June 30, 2020			Six months ended June 30, 2020		
(in U.S $000's)	A&M	Other	Consolidated	A&M	Other	Consolidated
Service revenue	$ 199,648	$ 34,491	$ 234,139	$ 354,391	$ 62,871	$ 417,262
Inventory sales revenue	154,911	—	154,911	245,043	—	245,043
Total revenue	354,559	34,491	389,050	599,434	62,871	662,305
Ancillary and logistical service expenses	—	16,060	16,060	—	28,818	28,818
Other costs of services	22,190	1,198	23,388	47,285	2,700	49,985
Cost of inventory sold	143,134	—	143,134	224,719	—	224,719
SG&A expenses	94,559	6,073	100,632	186,144	12,873	199,017
Segment profit	94,676	11,160	105,836	$ 141,286	$ 18,480	$ 159,766

Auctions and Marketplaces Segment

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

	Three months ended June 30,			Six months ended June 30,		
			% Change			% Change
(in U.S. $000's, except percentages)	2021	2020	2021 over 2020	2021	2020	2021 over 2020
Service revenue	$ 211,475	$ 199,648	6 %	$ 382,230	$ 354,391	8 %
Inventory sales revenue	143,613	154,911	(7)%	269,138	245,043	10 %
Total revenue	355,088	354,559	0 %	651,368	599,434	9 %
A&M service revenue as a % of total A&M revenue	59.6 %	56.3 %	330 bps	58.7 %	59.1 %	(40)bps
Inventory sales revenue as a % of total A&M revenue	40.4 %	43.7 %	(330)bps	41.3 %	40.9 %	40 bps
Costs of services	21,985	22,190	(1)%	43,575	47,285	(8)%
Cost of inventory sold	131,023	143,134	(8)%	241,770	224,719	8 %
SG&A expenses	101,417	94,559	7 %	205,762	186,144	11 %
A&M segment expenses	$ 254,425	$ 259,883	(2)%	$ 491,107	$ 458,148	7 %
Cost of inventory sold as a % of A&M expenses	51.5 %	55.1 %	(360)bps	49.2 %	49.0 %	20 bps
A&M segment profit	$ 100,663	$ 94,676	6 %	$ 160,261	$ 141,286	13 %
Total GTV	1,527,642	1,493,982	2 %	2,802,182	2,641,006	6 %
A&M service revenue as a % of total GTV- Rate	13.8 %	13.4 %	40 bps	13.6 %	13.4 %	20 bps

Gross Transaction Value

In response to the COVID-19 pandemic, in March 2020, we transitioned all our traditional live on site auctions to online bidding utilizing our existing online bidding technology and simultaneously ceased all public attendance at our live auction theaters. Our core online auction channels (IronPlanet.com, GovPlanet.com, Marketplace-E) continued to operate as usual.

To facilitate the live auction process transition to a virtual platform and under strict safety guidelines, we enabled equipment drop off at our physical yards prior to the online event, with buyers able to conduct inspections pre-auction and collect equipment post auction. In addition, where auctioneers were not able to attend a physical site, we used Time Auctioned Lots (TAL) solutions for selected International and on-the-farm agriculture events.

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

GTV by Geography

(in U.S. $000's)	Three months ended June 30, 2021	2020	% Change 2021 over 2020	Six months ended June 30, 2021	2020	% Change 2021 over 2020
Total GTV by Geography						
United States	$ 740,826	$ 792,450	(7)%	$ 1,622,479	$ 1,654,891	(2)%
Canada	551,075	529,432	4 %	761,687	678,743	12 %
International	235,741	172,100	37 %	418,016	307,372	36 %
Total GTV	1,527,642	1,493,982	2 %	2,802,182	2,641,006	6 %
Service GTV by Geography						
United States	686,973	720,253	(5)%	1,502,289	1,525,747	(2)%
Canada	543,147	510,306	6 %	744,044	651,422	14 %
International	153,909	108,512	42 %	286,711	218,794	31 %
Total Service GTV[1]	1,384,029	1,339,071	3 %	2,533,044	2,395,963	6 %

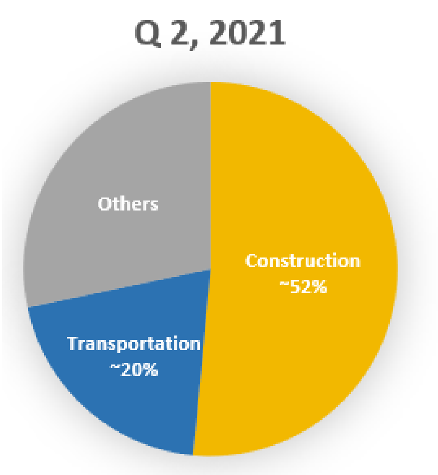
[1] Service GTV is calculated as total GTV less inventory sales revenue

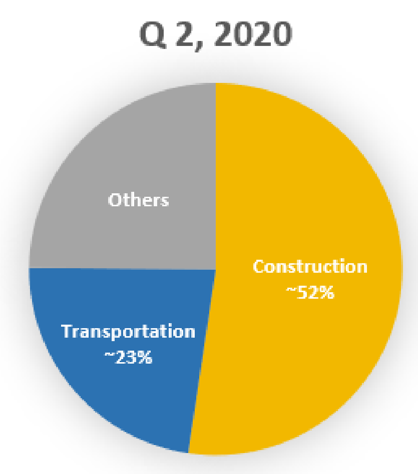
GTV by Sector

The following pie charts illustrate the breakdown of total GTV by sector for Q2 2021 compared to Q2 2020.

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

In Q2 2021, total GTV in the transportation sector decreased by 3% compared to Q2 2020 and remained flat within the construction sector.





Total auction metrics

We review a number of metrics including the following key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions.

Number of auction sales days. We define auction sales days as the number of auction days per auction event. Each day an auction is held is an auction sales day. An auction can have multiple auction sales days.

Bids per lot sold. Each bid is completed electronically through our real-time online bidding system. A lot is defined as a single asset to be sold, or a group of assets bundled for sale as one unit. This metric calculates the total number of bids received for a lot divided by the total number of lots sold.

Total lots sold. We define a lot as a single asset to be sold, or a group of assets bundled for sale as one unit. Low value assets are sometimes bundled into a single lot, collectively referred to as “small value lots”.

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	% Change 2021 over 2020	2021	2020	% Change 2021 over 2020
Number of auction sales days	240	226	6 %	333	313	6 %
Bids per lot sold *	27	25	9 %	28	23	19 %
Total lots sold *	148,206	148,957	(1)%	263,035	249,754	5 %

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

The number of auction sales days increased 6% to 240 in Q2 2021. Auction sales days increased at a higher rate than total GTV increase of 2% due to less average GTV sold per sale day. For the first half of 2021, the number of auction sales days increased 6% to 333 in line with a 6% increase in total GTV.

The total number of bids per lot sold increased 9% to 27 in Q2 2021 and increased 19% to 28 for the first half of 2021 driven by higher demand from buyers partly due to our increased marketing efforts.

The total lots sold decreased slightly by 1% to 148,206 in Q2 2021, in line with the decrease in total GTV of 3% when excluding the impact of foreign exchange, partially offset by higher pricing. For the first half of 2021, the total lots sold increased 5% to 263,035 primarily related to the increase in total GTV of 6% driven by a higher proportion of high value lots mainly in the US.

Online bidding

Across all channels, 100% of total GTV was purchased by online buyers in Q2 2021 and Q2 2020 which is a direct impact of the COVID-19 pandemic as we pivoted to 100% online bidding at our traditional live on site auctions where on site attendance was not permitted. As COVID 19-pandemic restrictions ease we will be considering a transition back to some measure of in-person attendance at our on site auction events in certain regions and plan to reintroduce in-person bidding for select large events, primarily in the United States.

Productivity

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

Our Sales Force Productivity for the trailing 12-month period ended June 30, 2021 was $13.9 million per Revenue Producer compared to $12.2 million per Revenue Producer for the trailing 12-month period ended June 30, 2020.

A&M revenue

Total A&M revenue remained flat at $355.1 million in Q2 2021.

A&M revenue by geographical region are presented below:

	Three months ended June 30,			Six months ended June 30,		
(in U.S. $000's, except percentages)	**2021**	**2020**	**% Change 2021 over 2020**	**2021**	**2020**	**% Change 2021 over 2020**
A&M Revenue by Geography						
United States						
Service revenue	111,047	115,796	(4)%	$ 233,958	$ 236,134	(1)%
Inventory sales revenue	53,853	72,196	(25)%	120,190	129,144	(7)%
A&M revenue- United States	164,900	187,992	(12)%	354,148	365,278	(3)%
Canada						
Service revenue	75,964	67,357	13 %	104,001	85,917	21 %
Inventory sales revenue	7,928	19,126	(59)%	17,643	27,321	(35)%
A&M revenue- Canada	83,892	86,483	(3)%	121,644	113,238	7 %
International						
Service revenue	24,464	16,496	48 %	44,271	32,340	37 %
Inventory sales revenue	81,832	63,588	29 %	131,305	88,578	48 %
A&M revenue- International	106,296	80,084	33 %	175,576	120,918	45 %
Total						
Service revenue	211,475	199,648	6 %	382,230	354,391	8 %
Inventory sales revenue	143,613	154,911	(7)%	269,138	245,043	10 %
A&M total revenue	355,088	354,559	0 %	651,368	599,434	9 %

United States

In Q2 2021, service revenue decreased 4% primarily due to the 5% decrease in Service GTV. The decrease was also due to lower fees driven by a lower proportion of small value lots, lower document fees as a result of the decline in the total number of titled lots sold and lower online listing fees. These decreases were primarily offset by higher buyer fees driven by the new buyer fee structure as well as positive rate performance in our GovPlanet business.

For the first half of 2021, service revenue decreased 1% primarily due to the 2% decrease in Service GTV for the same reasons as discussed above, as well as lower fees earned from a non-repeating collector car event in Q1 2020.

In Q2 2021, inventory sales revenue decreased 25% primarily from lower volumes of inventory contracts sourced at our Fort Worth and Orlando auctions driven by lower mix of volumes of inventory contracts and an unfavourable supply environment, partially offset by higher pricing. These decreases in our US region based auctions were partially offset by increased volumes sold through our GovPlanet business as a result of the new non-rolling and rolling stock contracts effective June 1, 2021 and higher volumes due to the government shutdowns in prior year in response to COVID-19 pandemic.

For the first half of 2021, inventory sales revenue decreased 7% primarily due to lower volumes of inventory contracts at our Fort Worth and Orlando auctions, partially offset by positive performance at our Houston auction and higher activity with improved rates in our GovPlanet business.

Canada

In Q2 2021, service revenue increased 13% partially due to the 6% increase in Service GTV. The remaining increase was due to improved commission rates on both guarantee and straight commission contracts. In addition, the re-instatement of fees waived at the Canadian on-the-farm auctions in Q2 2020 as part of our COVID-19 pandemic response, higher buyer fees from the implementation of the new buyer fee structure and higher proportion of low value lots contributed to a positive performance.

For the first half of 2021, service revenue increased 21% partially due to 14% increase in Service GTV and also for the same reasons as discussed above.

In Q2 2021, inventory sales revenue decreased 59% primarily due to lower mix of inventory contracts and equipment supply constraints in the energy sector contributing to lower year-over-year performance in our Edmonton auction, lower rate performances and the non-repeat of several large energy inventory contracts.

For the first half of 2021, inventory sales revenue decreased 35% primarily for the same reasons as discussed above, offset by several large new deals in the construction sector with strong rate performances in our Montreal auction in Q1 2021.

International

In Q2 2021, service revenue increased 48% primarily due to the 42% increase in Service GTV. The remaining increase was due to higher buyer fees from the implementation of the new buyer fees structure and a higher buyer fee structure in Australia. These increases were partially offset by lower rates on our straight commission contracts.

For the first half of 2021, service revenue increased 37% primary due to the 31% increase in Service GTV primarily for the same reasons as discussed above.

In Q2 2021, Inventory sales revenue increased 29% driven by improved economic conditions, lifting of border restrictions, and easing of quarantine and travel requirements in Australia, Middle East and across several countries in Europe. We also saw improved performances in our auctions and an increase in the number of large private treaty deals in Australia.

For the first half of 2021, inventory sales revenue increased 48% primarily driven by the increases in Australia as discussed above, strong performances at our auctions across various countries in Europe with the addition of several new auctions. Improved economic conditions from the recovery of COVID-19 pandemic also contributed to the higher inventory revenue volumes.

Costs of services

A&M costs of services decreased 1% to $22.0 million in Q2 2021 compared to Q2 2020. This decrease was primarily driven by lower activity in line with lower GTV in the US, partially offset by higher costs to support the increased activity in our GovPlanet business and incremental costs to introduce the new satellite yards in Europe.

For the first half of 2021, A&M costs of services decreased 8% to $43.6 million primarily driven by cost savings in travel, advertising and promotion expense as a result of lower activity at our on site auctions due to the transition to online bidding, utilization of TAL solution and implementation of travel restrictions due to COVID-19 pandemic. The decrease was further driven by lower activity in the US and cost reductions in building, facilities and technology expenses due to the non-repeat of costs incurred to support our Q1 2020 collector car event. Offsetting these decreases were higher costs in our GovPlanet business and in International in line with increased activity.

Cost of inventory sold

A&M cost of inventory sold decreased 8% to $131.0 million in Q2 2021 compared to Q2 2020 primarily in line with the 7% decrease in inventory sales revenue. Cost of inventory sold decreased at a higher rate than the decrease in inventory sales revenue, indicating a slight increase in the revenue rates, primarily in our GovPlanet business.

For the first half of 2021, A&M cost of inventory sold increased 8% to $241.8 million primarily in line with the 10% increase in inventory sales revenue. Cost of inventory sold increased at a lower rate than the increase in inventory sales revenue, indicating an increase in the revenue rates, primarily in our GovPlanet business and the US region, partially offset by the International region.

SG&A expenses

A&M SG&A expenses increased 7% to $101.4 million in Q2 2021 compared to Q2 2020. The increase was primarily due to an unfavourable impact of foreign exchange fluctuation, higher wages, salaries and benefit expenses driven by higher headcount to support our growth initiatives. We also incurred higher advertising and promotion expenses to promote our global digital marketing efforts, and higher travel and entertainment costs as a result of increased travel as border and quarantine restrictions have started to ease. These increases were partially offset by lower short-term and long-term incentive costs including the non-repeat of a prior year one-time incentive accrual to employees during the COVID-19 pandemic.

For the first half of 2021, A&M segment SG&A expenses increased 11% to $205.8 million primarily due to an unfavourable impact of foreign exchange, higher wages, salaries and benefit expenses, and an increase in short-term and long-term incentive costs due to strong performance. We also saw increases in share based payments and severance costs. These increases were partially offset by lower travel, advertising and entertainment expenses as travel restrictions for the most part continued to be implemented since the beginning of Q2 2020.

Other Services Segment

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

(in U.S. $000's, except percentages)	Three months ended June 30, 2021	2020	% Change 2021 over 2020	Six months ended June 30, 2021	2020	% Change 2021 over 2020
Service revenue	$ 41,273	$ 34,491	20 %	$ 76,548	$ 62,871	22 %
Ancillary and logistical service expenses	14,819	16,060	(8)%	27,088	28,818	(6)%
Other costs of services	2,238	1,198	87 %	4,406	2,700	63 %
SG&A expenses	10,402	6,073	71 %	22,135	12,873	72 %
Other services profit	$ 13,814	$ 11,160	24 %	$ 22,919	$ 18,480	24 %

In Q2 2021, Other Services revenue increased 20% to $41.3 million primarily due to the increase in revenue from Rouse of $6.2 million, and higher RBFS revenues of $3.3 million, offset by lower ancillary revenue of $3.3 million mainly due to lower fees earned on refurbishment, transportation and redeployment of assets in the US.

In the first half of 2021, Other Services revenue increased 22% to $76.5 million due to the increase in revenue from Rouse of $11.8 million, higher RBFS revenues of $5.2 million, and RB Logistics revenues of $1.3 million driven by higher inventory sales in Europe requiring logistics as border restrictions have slowly been lifted. This increase was partially offset by lower ancillary revenue of $4.9 million and lower asset appraisal services revenue of $1.2 million.

Rouse was acquired on December 8, 2020 and this is the second full quarter of revenue recognized since acquisition. As a result, our costs of services and SG&A expenses have also increased.

RBFS revenue increased 39% in Q2 2021, driven by higher funded volume and improved rate on fees earned from facilitating financing arrangements as well as the growth in our PurchaseSafe service to provide escrow services to private brokered transactions. Some of the positive performance in RBFS also benefited from the favourable impact of foreign exchange fluctuation, as well as from a larger dedicated sales team driving increase volumes compared to the first half of 2020. In Q2 2021, our funded volume, which represents the amount of lending brokered by RBFS, increased 41% to $197.4 million, and increased 25% when excluding the impact of foreign exchange. In the first half of 2021, our funded volume increased 34% to $344.0 million, and increased 22% when excluding the impact of foreign exchange.

In Q2 2021, Other Services profit increased 24% to $13.8 million driven by our Rouse, RBFS, and Mascus operations. In the first half of 2021, Other Services profit increased 24% to $22.9 million primarily due to the same reasons.

Additionally, in the first quarter of 2021 we launched a business version of our inventory management system (“ IMS”) which offers our customers an end-to-end asset management and disposition services, data analytics, dashboards, branded e-commerce sites and multiple external sales channels to help our customers achieve the best possible returns. We continue to grow the number of organizations activated on IMS. During the second quarter of 2021, the number of organizations activated on our IMS increased by 34% compared to the first quarter of 2021.

As we evolve to a marketplace, we will also facilitate retail and peer-to-peer auction events and equipment sale transactions via our online technology in exchange for hosting fees. During the second quarter of 2021, customers that used this service disposed of $36.3 million of assets, which is an increase of 155% from Q2 2020. For the first half of 2021, this service facilitated transactions of $79.3 million, a 102% increase as compared to prior year.

Liquidity and Capital Resources

Our principal sources of liquidity are our cash provided by operating activities and borrowings from our revolving credit facilities, which we renewed on August 14, 2020.

In the first half of 2021, our operational liquidity was not materially impacted by the COVID-19 pandemic. Today we believe that our existing working capital and availability under our credit facilities are sufficient to satisfy our present operating requirements and contractual obligations. With future uncertainty due to COVID-19, we will continue to evaluate the nature and extent of any impacts to our liquidity as events unfold. Our future growth strategies continue to include but are not limited to the development of our A&M, RBFS, Rouse, and Mascus operating segments, as well as other growth opportunities including mergers and acquisitions.

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

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

	Six months ended June 30,		
(in U.S. $000's, except percentages)	**2021**	**2020**	**% Change 2021 over 2020**
Cash provided by (used in):			
Operating activities	$ 211,381	$ 198,324	7 %
Investing activities	(23,303)	(148)	15,645 %
Financing activities	(50,861)	(77,811)	(35)%
Effect of changes in foreign currency rates	(1,389)	(2,608)	(47)%
Net increase in cash, cash equivalents, and restricted cash	$ 135,828	$ 117,757	15 %

Net cash provided by operating activities increased $13.1 million in the first half of 2021. This change was primarily due to increases in our net income and a net positive movement in our trade receivables related to the timing, size, and number of auctions over the comparative period. These increases were partially offset by negative cash flows driven by larger bonus payments, the timing of payments related to local payroll, consumption and income taxes, and an increase in inventory purchases related to our GovPlanet business over the comparative period.

Net cash used in investing activities increased $23.2 million in the first half of 2021. This change was due to lower cash proceeds from land sales and equity investments in the first half of 2021 compared to the first half of 2020. In the comparative period, we recognized net proceeds of $15.5 million on the sale of land in the United States, $4.2 million of proceeds on the distribution of equity investments, and $1.7 million of proceeds on contingent consideration from equity investments.

Net cash used in financing activities decreased $27.0 million in the first half of 2021. The primary driver of the change was that we did not do any share repurchases in the first half of 2021, whereas we spent $53.2 million in Q1 2020. Partially offsetting this change was a $9.0 million decrease in short-term debt draws, a $8.7 million decrease in cash generated from the issuance of share capital on exercise of stock options, and an increase of $5.8 million in withholding tax payments on the issuance of shares.

Dividend information

We declared a dividend of $0.22 per common share for each of the quarters ended June 30, 2020, September 30, 2020, December 31, 2020, and March 31, 2021. We have declared, but not yet paid, a dividend of $0.25 per common share for the quarter ended June 30, 2021. All dividends that we pay are “eligible dividends” for Canadian income tax purposes unless indicated otherwise.

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

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 140 bps to 11.4% for the 12-month period ending June 30, 2021 from 10.0% for the 12-month period ending June 30, 2020. This increase is primarily due to an increase in net income attributable to stockholders over the comparative period. Return on invested capital ("ROIC") (non-GAAP measure) increased 180 bps to 11.9% during the 12 months ended June 30, 2021 compared to 10.1% for the 12 months period ending June 30, 2020.

Credit facilities

On August 14, 2020, we entered into the amended and extended Credit Agreement. The Credit Agreement matures on October 27, 2023 and provides credit facilities totaling US$630.0 million with a syndicate of lenders comprising:

(1) Multicurrency revolving facilities of up to US$530 Million (the "Revolving Facilities"), and,

(2) A delayed-draw term loan facility of up to US$100 Million (the "Delayed-Draw Facility" and together with the Revolving Facilities, the "Facilities").

Credit facilities at June 30, 2021 and December 31, 2020 were as follows:

(in U.S. $000's, except percentages)	June 30, 2021	December 31, 2020	% Change
Committed			
Term loan facility	$ 95,910	$ 98,420	(3)%
Revolving credit facilities	540,000	540,000	— %
Total credit facilities	$ 635,910	$ 638,420	(0)%
Unused			
Revolving credit facilities	448,348	455,124	(1)%
Total credit facilities unused	$ 448,348	$ 455,124	(1)%

Debt covenants

We were in compliance with all financial and other covenants applicable to our credit facilities at June 30, 2021. Our debt covenants did not change as a result of amending our Credit Agreement.

Our ability to borrow under our syndicated revolving credit facility is subject to compliance with a consolidated leverage ratio covenant and a consolidated interest coverage ratio covenant. In the event of sustained deterioration of global markets and economies, we expect the covenants pertaining to our leverage ratio would be the most restrictive to our ability to access funding under our credit agreement. We continue to assess the impact of the COVID-19 pandemic on our business and evaluate courses of action to maintain current levels of liquidity and compliance with our debt covenants.

Share repurchase program

On May 8, 2019, our Board of Directors authorized a share repurchase program for the repurchase of up to $100 million worth of our common shares, approved by the Toronto Stock Exchange, over a total period of 12 months. In Q1, 2020, we repurchased 1,525,312 common shares for $53,170,000 as part of this program until it ended on May 8, 2020.

On August 5, 2020, our Board of Directors authorized a share repurchase program for the repurchase of up to $100.0 million worth of our common shares, approved by the Toronto Stock Exchange, over a period of 12 months, ending August 23, 2021. No share repurchases were made during the six months ended June 30, 2021.

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 which takes into consideration the impact of COVID-19 pandemic related circumstances. As of June 30, 2021, there were no material changes in our critical accounting policies, judgments, estimates and assumptions from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020, or in the notes to our consolidated financial statements included in "Part I, Item 1: Consolidated Financial Statements" in this Quarterly Report on Form 10-Q.

Effective January 1, 2020, we adopted Topic 848, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, and in March 2020, the FASB issued an update to the standard. The standard provides relief for companies preparing for the discontinuation of reference rates such as LIBOR. This guidance is effective March 12, 2020 through to December 31, 2022. The adoption of the ASU and the recent updates have not and are not expected to have a material impact on our consolidated financial statements.

For a discussion of our new and amended accounting standards refer to Note 2 of the financial statements, Summary of significant accounting policies.

Non-GAAP Measures

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

Adjusted Operating Income* Reconciliation

Adjusting operating income* eliminates the financial impact of adjusting items which are significant non-recurring items that we do not consider to be part of our normal operating results, such as acquisition-related costs, management reorganization costs, and certain other items, which we refer to as 'adjusting items'.

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

	Three months ended June 30,			Six months ended June 30,		
			% Change			% Change
(in U.S. $000's, except percentages)	**2021**	**2020**	**2021 over 2020**	**2021**	**2020**	**2021 over 2020**
Operating income	$ 89,517	$ 88,800	1 %	$ 134,019	$ 122,882	9 %
Adjusted operating income*	$ 89,517	$ 88,800	1 %	$ 134,019	$ 122,882	9 %

(1) Please refer to page 49 for a summary of adjusting items during the three and six months ended June 30, 2021 and June 30, 2020.
(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)	Three months ended June 30, 2021	Three months ended June 30, 2020	% Change 2021 over 2020	Six months ended June 30, 2021	Six months ended June 30, 2020	% Change 2021 over 2020
Net income attributable to stockholders	$ 60,749	$ 53,043	15 %	$ 88,937	$ 75,851	17 %
Current income tax adjusting item:						
Change in uncertain tax provision	—	766	(100)%	—	766	(100)%
Deferred tax adjusting item:						
Change in uncertain tax provision	—	5,462	(100)%	—	5,462	(100)%
Adjusted net income attributable to stockholders*	$ 60,749	$ 59,271	2 %	$ 88,937	$ 82,079	8 %
Weighted average number of dilutive shares outstanding	111,334,184	109,323,343	2 %	111,302,711	109,903,808	1 %
Diluted earnings per share attributable to stockholders	$ 0.55	$ 0.49	12 %	$ 0.80	$ 0.69	16 %
Diluted adjusted EPS attributable to Stockholders*	$ 0.55	$ 0.54	2 %	$ 0.80	$ 0.75	7 %

(1) Please refer to page 49 for a summary of adjusting items during the three and six months ended June 30, 2021 and June 30, 2020.
(2) Adjusted net income attributable to stockholders* represents net income attributable to stockholders excluding the effects of adjusting items.
(3) Diluted adjusted EPS attributable to stockholders* is calculated by dividing adjusted net income attributable to stockholders*, net of the effect of dilutive securities, by the weighted average number of dilutive shares outstanding.

Adjusted EBITDA*

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

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

(in U.S. $000's, except percentages)	Three months ended June 30, 2021	Three months ended June 30, 2020	% Change 2021 over 2020	Six months ended June 30, 2021	Six months ended June 30, 2020	% Change 2021 over 2020
Net income	$ 60,781	$ 53,119	14 %	$ 88,920	$ 75,948	17 %
Add: depreciation and amortization expenses	21,935	17,857	23 %	43,005	37,150	16 %
Add: interest expense	8,867	8,882	(0)%	17,813	18,064	(1)%
Less: interest income	(332)	(393)	(16)%	(634)	(1,063)	(40)%
Add: income tax expense	21,065	27,656	(24)%	29,484	33,304	(11)%
Adjusted EBITDA*	$ 112,316	$ 107,121	5 %	$ 178,588	$ 163,403	9 %

(1) Please refer to page 49 for a summary of adjusting items during the three and six months ended June 30, 2021 and June 30, 2020.
(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.

	As at and for the 12 months ended June 30,		
(in U.S. $millions, except percentages)	2021	2020	% Change 2021 over 2020
Short-term debt	$ 35.2	$ 22.0	60 %
Long-term debt	636.5	632.0	1 %
Debt	671.7	654.0	3 %
Less: Cash and cash equivalents	(301.8)	(389.7)	(23)%
Adjusted net debt*	369.9	264.3	40 %
Net income	$ 183.3	$ 152.7	20 %
Add: depreciation and amortization expenses	80.8	73.4	10 %
Add: interest expense	35.3	38.4	(8)%
Less: interest income	(1.7)	(3.1)	(45)%
Add: income tax expense	61.7	52.9	17 %
Pre-tax adjusting items:			
Share-based payment expense recovery	—	(4.1)	(100)%
Acquisition-related costs	5.2	—	100 %
Severance	4.3	—	100 %
Adjusted EBITDA*	$ 368.9	$ 310.2	19 %
Debt/net income	3.7 x	4.3 x	(14)%
Adjusted net debt*/adjusted EBITDA*	1.0 x	0.9 x	11 %

(1) Please refer to page 49 for a summary of adjusting items during the trailing 12-months ended June 30, 2021 and June 30, 2020.
(2) Adjusted EBITDA* is calculated by adding back depreciation and amortization expenses, interest expense, and income tax expense, and subtracting interest income from net income excluding the pre-tax effects of adjusting items.
(3) Adjusted net debt* is calculated by subtracting cash and cash equivalents from short and long-term debt.
(4) Adjusted net debt*/adjusted EBITDA* is calculated by dividing adjusted net debt* by adjusted EBITDA*.

Operating Free Cash Flow* ("OFCF") Reconciliation

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

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

	12 months ended June 30,		
(in U.S. $ millions, except percentages)	2021	2020	% Change 2021 over 2020
Cash provided by operating activities	$ 270.9	$ 370.8	(27)%
Property, plant and equipment additions	12.7	15.1	(16)%
Intangible asset additions	33.0	28.5	16 %
Proceeds on disposition of property plant and equipment	(0.6)	(21.5)	(97)%
Net capital spending	$ 45.1	$ 22.1	104 %
OFCF*	$ 225.8	$ 348.7	(35)%

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

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:

	As at and for the 12 months ended June 30,		
(in U.S. $millions, except percentages)	**2021**	**2020**	**% Change 2021 over 2020**
Net income attributable to stockholders	$ 183.2	$ 152.7	20 %
Pre-tax adjusting items:			
Share-based payment expense recovery	—	(4.1)	(100)%
Acquisition-related costs	5.2	—	100 %
Severance	4.3	—	100 %
Current income tax effect of adjusting items:			
Acquisition-related costs	(1.3)	—	(100)%
Severance	(1.1)	—	(100)%
Current income tax adjusting item:			
Change in uncertain tax provision	1.5	0.8	88 %
Deferred tax adjusting item:			
Change in uncertain tax provisions	—	5.5	(100)%
Adjusted net income attributable to stockholders*	$ 191.8	$ 154.9	24 %
Opening long-term debt	$ 632.0	$ 704.9	(10)%
Ending long-term debt	636.5	632.0	1 %
Average long-term debt	634.3	668.5	(5)%
Opening stockholders' equity	$ 899.1	$ 830.7	8 %
Ending stockholders' equity	1,056.3	899.1	17 %
Average stockholders' equity	977.7	864.9	13 %
Average invested capital	$ 1,612.0	$ 1,533.4	5 %
Return on average invested capital	11.4 %	10.0 %	140 bps
ROIC*	11.9 %	10.1 %	180 bps

(1) Please refer to page 49 for a summary of adjusting items during the trailing 12-months ended June 30, 2021 and June 30, 2020.

(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) Leases (Topic 842) requires lessees to recognize almost all leases, including operating leases, on the balance sheet through a right-of-use asset and a corresponding lease liability. The lease liability is not included in the calculation of debt.

Adjusting items during the trailing 12-months ended June 30, 2021 were:

Recognized in the second quarter of 2021

- There were no adjustment items recognized in the second quarter of 2021.

Recognized in the first quarter of 2021

- There were no adjustment items recognized in the first quarter of 2021.

Recognized in the fourth quarter of 2020

- $5.2 million ($3.9 million after tax, or $0.04 per diluted share) of acquisition-related costs related to the acquisition of Rouse.
- $1.5 million ($0.01 per diluted share) of current income tax expense recognized related to an unfavourable adjustment to reflect final regulations published in Q2 2020 regarding hybrid financing arrangements.

Recognized in the third quarter of 2020

- $4.3 million ($3.2 million after tax, or $0.03 per diluted share) of severance costs related to the realignment of leadership to support the new global operations organization, in line with strategic growth priorities led by the new CEO.

Adjusting items during the trailing 12-months ended June 30, 2020 were:

Recognized in the second quarter of 2020

- $6.2 million ($0.06 per diluted share) in current and deferred income tax expense related to an unfavourable adjustment to reflect final regulations published regarding hybrid financing arrangements.

Recognized in the first quarter of 2020

- There were no adjustment items recognized in the first quarter of 2020.

Recognized in the fourth quarter of 2019

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

Recognized in the third quarter of 2019

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

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our market risk during the six months ended June 30, 2021 from those disclosed in Item 7A in our Annual Report on Form 10-K for the year ended December 31, 2020, which is available on our website at *www.rbauction.com*, on EDGAR at *www.sec.gov*, or on SEDAR at *www.sedar.com*.

ITEM 4: CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management of the Company, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), have evaluated the effectiveness of the Company's disclosure controls and procedures as at June 30, 2021. The term "disclosure controls and procedures" means controls and other procedures established by the Company that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Based upon their evaluation of the Company's disclosure controls and procedures, the CEO and the CFO concluded that, as at June 30, 2021, as a result of the material weaknesses described in Item 9A of the Form 10-K filed with the SEC on February 18, 2021 not having been remediated by the second quarter of 2021, the disclosure controls are not 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 not 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 completed the acquisition of Rouse on December 8, 2020 and Rouse's total assets and revenues constituted 10.0% and 1.6%, respectively, of the Company's total assets and revenues as shown in its consolidated financial statements as of and for the six month period ended June 30, 2021. As the acquisition occurred in the fourth quarter of 2020, the Company excluded Rouse from the scope of its assessment over the effectiveness of its internal control over financial reporting. This exclusion is in accordance with the guidance issued by the Staff of the Securities and Exchange Commission that an assessment of a recently acquired business may be omitted from its scope in the year of acquisition, if specified conditions are satisfied.

Remediation Plan and Status of Material Weaknesses in Internal Control Over Financial Reporting

As previously disclosed in the Company's Annual Report on Form 10-K filed with the SEC for the year ending December 31, 2020, the Company identified a material weakness over the review of the recording of manual journal entries in one of its geographies; specifically, controls were not operating effectively to ensure that journal entries were prepared with appropriate supporting documentation. Additionally, the Company identified a material weakness over the completeness and accuracy of key reports used in the performance of controls to address the occurrence and measurement of revenue.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

The Company is committed to maintaining a strong internal control environment. In order to address the material weaknesses in internal control over financial reporting noted above, management with oversight and direction from the Audit Committee and the Board of Directors, began the implementation of remediation steps and initiatives in 2021 to remediate the material weaknesses. These efforts have included the following actions:

- engaged a third-party advisor, hired a Senior Sarbanes-Oxley (SOX) Consultant, and created a SOX program Steering Committee to support management with performing a root-cause analysis and implementing a remediation plan;

- provided training over the execution and review of manual journal entries across all geographies, which included a focus on ensuring that accurate and appropriate documentation is retained to support the journal entry;

- began conducting a series of revenue learning sessions to thoroughly review the business processes surrounding the occurrence and measurement of revenue, including the use of key reports, to drive the design and implementation of improved processes and controls;

- implemented a series of new tools, checklists and control owner certifications, and improved our controls documentation, to enhance accountability and execution of controls;

- increased capacity and resources by hiring additional experienced accounting personnel and making changes to certain control owners impacted by the material weaknesses; and

- implemented additional monitoring procedures over the controls impacted.

As we continue to develop and implement our remediation plan, additional remediation steps will be identified and adopted. We have also performed additional post-closing procedures and financial statement analysis whilst our disclosure controls and procedures are not effective.

We will consider the material weaknesses remediated after the applicable controls operate for a sufficient period of time, and management has concluded, through testing, that the controls are operating effectively.

As part of our continuous control improvement initiatives, and with the support of our advisors, we are also in the process of re-assessing and re-evaluating the design of our internal controls over financial reporting, which includes identifying ways in which we can automate some of our current manual processes.

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

Changes in Internal Control over Financial Reporting

Management, with the participation of the CEO and CFO, concluded that there were no changes in our internal control over financial reporting during the quarter ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

We are continuing to take steps to remediate the material weaknesses in our internal control over financial reporting, as discussed above.