

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.

On May 31, 2017, we acquired IronPlanet Holdings, Inc. (“IronPlanet”), a leading online marketplace for heavy equipment and other durable assets for \$776.5 million (the “Acquisition”). IronPlanet’s complementary used equipment brand solutions, together with Marketplace-E, our online marketplace that supports reserved pricing, provide different value propositions to equipment owners and allow us to meet the needs and preferences of a wide spectrum of equipment sellers and buyers. Upon the consummation of the Acquisition on May 31, 2017, we formed an alliance with Caterpillar Inc. (“Caterpillar”), pursuant to a Strategic Alliance and Remarketing Agreement (the “Alliance”). Under the Alliance, we became Caterpillar’s preferred global partner for live on site and online auctions for used Caterpillar equipment.

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

The following discussion and analysis summarizes significant factors affecting our consolidated operating results and financial condition for the years ended December 31, 2018, 2017, and 2016. 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 28, 2019.

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 Highlights

Net income attributable to stockholders of \$121.5 million increased 62% compared to \$75.0 million in 2017. Diluted earnings per share (“EPS”) attributable to stockholders increased 61% to \$1.11 versus \$0.69 in 2017, while diluted adjusted EPS attributable to stockholders (non-GAAP measure) increased 33% to \$1.08 from \$0.81 in 2017. Other key highlights included:

Consolidated results:

- Total revenues of \$1.17 billion increased 20% from \$971.2 million in 2017.
- Agency proceeds (non-GAAP measure) of \$729.1 million increased 19% from \$610.5 million in 2017.
- Cash provided by operating activities of \$144.3 million for the year ended December 31, 2018.

A&M segment results:

- GTV of \$4.96 billion, up 11% compared to \$4.47 billion in 2017.
- A&M revenues of \$1.05 billion increased 20% compared to \$870.8 million in 2017.
- A&M agency proceeds (non-GAAP measure) of \$672.2 million increased 19% from \$564.3 million in 2017.
- A&M revenue rate of 21.1% increased 160 bps from 19.5% in 2017, and A&M agency proceeds rate (non-GAAP measure) of 13.5% increased 90 bps from 12.6% in 2017.

Other Services segment results:

- Other Services revenue of \$123.5 million increased 23% compared to \$100.4 million in 2017.

Operational highlights

In 2018, our operational focus was on strengthening sales execution and driving incremental network effects through our foundational core customer solutions and completing the IronPlanet integration. Some notable highlights were:

- In 2018, used equipment availability continued to be challenged with high demand for equipment and end users holding equipment longer; driving historic high utilization rates. The demand was particularly strong within the US construction market with robust momentum throughout 2018. Despite these market headwinds, we generated GTV growth of 11%. This was led by positive year-over-year growth in live industrial auctions and strong growth in our online marketplaces. Online channels accelerated in 2018 following the acquisition of IronPlanet in 2017, setting new featured weekly online sales records in the second quarter, and again in the fourth quarter.
- Ritchie Bros. conducted 568 auctions in 2018, including 348 live, onsite Ritchie Bros. Auctioneers events and 220 IronPlanet and GovPlanet online events. As part of our strategy to fully leverage our multichannel capabilities and consolidate auctions to create larger, more significant multi-day events, we closed five live auction sites and optimized our overall auction calendar. These efforts led to fewer overall live industrial auctions, but more significant events in 2018 resulting in 65% of live industrial auctions posting year-over-year growth across major geographies including a six-day US\$278-million Orlando event in February and several other record-breaking auctions.
- Online bidding continued to gain momentum in 2018, with the percentage of online buyers reaching 59% of winning bids made through an online channel.
- Our organizational focus on improving sales execution and generating growth through new customer acquisition and earning additional share of wallet with existing customers made solid strides. Our Strategic Accounts Group generated both record growth in the second quarter and double-digit growth in 2018, led by new customer growth.
- We successfully completed major planned aspects of our IronPlanet integration in 2018 and launched project MARS, an internal platform that unifies our live and online auction operations such as bidder registrations, title searches and equipment inspection and taxonomy specs. Several modules have already been built and deployed, with implementation expected to continue in 2019 and expected to conclude in 2020.

- We implemented the U.S. Government Defense Logistics Agency non-rolling stock surplus contract and added a second weekly GovPlanet online auction to sell surplus. The Company held several significant and incremental GovPlanet events in 2018. Most notably, its largest-ever GovPlanet military surplus event in December 2018, selling 700,000+ items through two, live, onsite auctions in Las Vegas, NV and Atlanta, GA, and an online-only event at GovPlanet.com.
- The Company continued to strategically diversify its offerings and create a pathway for broader network effects with additional sales channels and value-added services. In 2018, the company launched two new solutions:
 - **Marketplace-E.** The online marketplace launched in early 2018 is already proving very popular in North America and International markets where unreserved auctions are less commonplace. The Company leveraged Marketplace-E for several unique events in 2018, including two successful Caterpillar dealer auctions in Central and South America. In total, more than 18,000 items were sold through Marketplace-E in 2018.
 - **RB Asset Solutions.** 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. By the end of the year, several high-profile flagship customers were already using RB Asset Solutions tools.
- We generated significant growth in our Ritchie Bros. Financial Services (RBFS) solution. In 2018 RBFS' total funded volume hit US\$432 million, up 41% from 2017. RBFS increased its workforce in 2018 and invested in technology to improve efficiencies, and is expected to continue to provide strong results in 2019.

Results of Operations

Financial overview	Year ended December 31,							
				\$ Change		% Change		
	2018	2017	2016	2018 over 2017	2017 over 2016	2018 over 2017	2017 over 2016	
(in U.S. \$000's, except EPS)								
Service revenues	\$ 749,515	\$ 624,417	\$ 555,843	\$ 125,098	\$ 68,574	20%	12%	
Revenue from inventory sales	420,511	346,774	571,134	73,737	(224,360)	21%	(39%)	
Total revenues	1,170,026	971,191	1,126,977	198,835	(155,786)	20%	(14%)	
Costs of services	159,058	133,189	113,296	25,869	19,893	19%	18%	
Cost of inventory sold	374,339	306,498	513,348	67,841	(206,850)	22%	(40%)	
Selling, general and administrative expenses	382,676	323,270	283,529	59,406	39,741	18%	14%	
Acquisition-related costs	5,093	38,272	11,829	(33,179)	26,443	(87%)	224%	
Depreciation and amortization expenses	66,614	52,694	40,861	13,920	11,833	26%	29%	
Gain on disposal of property, plant and equipment	(2,731)	(1,656)	(1,282)	(1,075)	(374)	65%	29%	
Impairment loss	-	8,911	28,243	(8,911)	(19,332)	(100%)	(68%)	
Foreign exchange (gain) loss	(212)	2,559	1,431	(2,771)	1,128	(108%)	79%	
Operating expenses	984,837	863,737	991,255	121,100	(127,518)	14%	(13%)	
Operating income	185,189	107,454	135,722	77,735	(28,268)	72%	(21%)	
Operating income margin	15.8%	11.1%	12.0%	n/a	n/a	470 bps	-90 bps	
Interest expense	(44,527)	(38,291)	(5,564)	(6,236)	(32,727)	16%	588%	
Other income, net	11,850	8,231	7,123	3,619	1,108	44%	16%	
Income tax expense	31,006	2,088	36,982	28,918	(34,894)	1385%	(94%)	
Net income attributable to stockholders	121,479	75,027	91,832	46,452	(16,805)	62%	(18%)	
Diluted EPS attributable to stockholders	\$ 1.11	\$ 0.69	\$ 0.85	\$ 0.42	\$ (0.16)	61%	(19%)	
Diluted adjusted EPS attributable to stockholders (non-GAAP measure)	\$ 1.08	\$ 0.81	\$ 1.15	\$ 0.27	\$ (0.34)	33%	(30%)	
Effective tax rate	20.3%	2.7%	28.3%	n/a	n/a	1760 bps	-2560 bps	
GTV	\$ 4,964,165	\$ 4,467,982	\$ 4,334,815	\$ 496,183	\$ 133,167	11%	3%	
Agency proceeds (non-GAAP measure)	729,111	610,517	566,395	\$ 118,594	44,122	19%	8%	

	Year ended December 31,				
				% Change	
	2018	2017	2016	2018 over 2017	2017 over 2016
Service revenues as a % of total revenues	64%	64%	49%	- bps	1500 bps
Revenue from inventory sales as a % of total revenues	36%	36%	51%	- bps	-1500 bps
Cost of inventory sold as a % of operating expenses	38%	35%	52%	300 bps	-1700 bps

Total revenues

Revenues are comprised of:

- Service revenues, 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 revenues, including revenues from listing services, refurbishment, logistical services, financing, appraisal fees and other ancillary service fees; and
- Revenue from inventory sales as part of A&M activities

Revenue from inventory sales can fluctuate, as it changes based on whether our customers sell using a straight commission contract or an inventory contract at time of selling. Straight commission contracts will result in the commission being recognized as revenue,

while revenue of inventory sales will result in the gross transaction value of the equipment sold being recorded as 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. Throughout this discussion, we disclose sales of inventory revenue as a percent of total revenues to provide more information regarding our revenue mix. In each of 2018 and 2017, 36% of our total revenue was comprised of revenue from inventory sales, compared to 51% in 2016. Cost of inventory sold as a percent of operating expense can also fluctuate significantly due to changes in the revenue mix.

Revenues increased \$198.8 million, or 20%, in 2018 compared to 2017 primarily due to incremental volume from the Acquisition. Fiscal 2018 included 12 full months of Acquisition volume versus seven months of post-Acquisition activity in Fiscal 2017. The increase was also due to partial fee harmonization and higher revenues from inventory sales. As part of our IronPlanet integration activities, we partially harmonized our fees between on site and online auctions. Foreign exchange had a favourable impact on total revenues in 2018 primarily due to the fluctuations of the Euro exchange rate relative to the U.S. dollar.

Revenues decreased \$155.8 million, or 14%, in 2017 compared to 2016. This decrease was primarily due to lower revenues from inventory sales, partially offset by an increase in service revenues. The lower revenue from inventory sales is as a result of the fluctuations in this revenue stream as discussed above, and the growth in service revenues was due to the Acquisition. Foreign exchange had a favourable impact on total revenues in 2018 primarily due to the fluctuations of the Euro and Canadian dollar exchange rates relative to the U.S. dollar.

Geographic analysis

The distribution of our revenues is determined by the location in which the sale occurred, or in the case of online sales, where the legal entity earning the revenues is incorporated. The following table presents our total revenues on a geographic basis.

(in U.S. \$000's)		United States	Canada	Europe	Other	Consolidated
Year ended December 31, 2018	\$	548,695	\$ 284,989	\$ 180,817	\$ 155,525	\$ 1,170,026
Proportion of consolidated amount		47%	24%	15%	13%	100%
Year ended December 31, 2017	\$	452,599	\$ 245,106	\$ 127,706	\$ 145,780	\$ 971,191
Proportion of consolidated amount		47%	25%	13%	15%	100%
Year ended December 31, 2016	\$	555,837	\$ 293,956	\$ 109,024	\$ 168,160	\$ 1,126,977
Proportion of consolidated amount		49%	26%	10%	15%	100%
Change 2018 over 2017:						
\$ change	\$	96,096	\$ 39,883	\$ 53,111	\$ 9,745	\$ 198,835
% change		21%	16%	42%	7%	20%
Change 2017 over 2016:						
\$ change	\$	(103,238)	\$ (48,850)	\$ 18,682	\$ (22,380)	\$ (155,786)
% change		(19%)	(17%)	17%	(13%)	(14%)

2018 performance

Growth in the U.S. over the comparative period was primarily due to the Acquisition, partial fee harmonization, and higher revenues from inventory sales.

In Canada, the growth over the comparative period was primarily due to partial fee harmonization, improved price performance on at-risk deals, growth of RBFS, and higher revenues from inventory sales.

In Europe, the growth over the comparative period was primarily due to higher revenue from inventory sales, partial fee harmonization, and the Acquisition. The increase in inventory sales was driven by macroeconomic conditions in parts of Europe creating a more favourable supply environment.

Other regions include Australia, Mexico, and countries representing the Middle East. The increase in this region over the comparative period was primarily due to higher revenue from inventory sales from the Middle East, and partial fee harmonization.

2017 performance

The proportion of revenue earned declined in the U.S. and in Canada, while Europe grew during 2017 compared to 2016. The decrease in the U.S. and in Canada was primarily driven by lower revenue from inventory sales. The growth in Europe was primarily due to the performance of our live on site auction activities sold in Spain, sourced from outside Europe and an increase in revenues from Mascus.

Costs of services

Costs of services are comprised of expenses incurred in direct relation to conducting auctions, earning online marketplace revenues, and earning other fee revenues. Direct expenses include direct labour, buildings and facilities charges, and travel, advertising and promotion costs.

Costs of services incurred to earn online marketplace revenues 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 revenues also include costs for the Company's customer support, online marketplace operations, logistics, and title and lien investigation functions.

Costs of services increased \$25.9 million, or 19%, in 2018 compared to 2017. This increase was primarily due to the Acquisition and the incremental costs required to support the growth of our service revenues.

Costs of services increased \$19.9 million, or 18%, in 2017 compared to 2016. This increase is primarily due to costs associated with the growth in our inspection and appraisal activities because of the Acquisition.

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.

Costs of inventory sold increased \$67.8 million, or 22%, in 2018 compared to 2017. This increase was primarily due to the change in our revenue from inventory sales.

Costs of inventory sold decreased \$206.9 million, or 40%, in 2017 compared to 2016. This increase is primarily due to the decrease in revenue from inventory sales during the same period. Revenue from inventory sales as a percent of total revenues decreased from 51% in 2016 to 36% in 2017.

Selling, general and administrative ("SG&A") expenses

2018 performance

SG&A expenses increased \$59.4 million, or 18%, during 2018 compared to 2017. This increase is primarily due to the Acquisition, continued investments in talent to support growth of our business and initiatives, share unit expenses, and increased overhead costs to support GovPlanet's non-rolling stock contract with the Defense Logistics Agency. The Acquisition drove increases in employee compensation, technology support costs, and additional advertising to promote our online marketplace sales. Of the \$8.8 million increase in our share unit expenses in 2018, \$3.3 million related to mark-to-market costs driven by growth in our share price over the comparative period and \$2.2 million related to the incremental compensation costs from the modifications of our share unit plans. Foreign exchange had an unfavourable impact on SG&A expenses in 2018 primarily due to the fluctuations of the Euro exchange rate relative to the U.S. dollar.

2017 performance

SG&A expenses increased \$39.7 million, or 14%, during 2017 compared to 2016. This increase is primarily due to post-Acquisition increased headcount, travel costs, and search engine fees associated with our online marketplace channel, as well as merit increases and higher commitment and other bank fees attributable to our new credit facility. This increase in SG&A expenses from 2016 to 2017 was partially offset by a decrease in share unit expense. Foreign exchange rates had an unfavourable impact on SG&A expenses in 2017.

Foreign exchange (gain) loss

We conduct global operations in many different currencies, with our presentation currency being the U.S. dollar. In 2018, approximately 50% of our revenues and 53% of our operating expenses were denominated in currencies other than the U.S. dollar, compared to 44% and 53%, respectively, in 2017 and 48% and 58%, respectively, in 2016.

We recognized \$0.2 million of transactional foreign exchange gains in 2018, \$2.6 million of losses in 2017, and \$1.4 million of losses in 2016. Foreign exchange losses and gains are primarily the result of settlement of non-functional currency-denominated monetary assets and liabilities.

U.S. dollar exchange rate comparison

The following table presents the variance in select foreign exchange rates over the comparative reporting periods:

Value of one U.S. dollar	Year ended December 31,			% Change	
	2018	2017	2016	2018 over 2017	2017 over 2016
Period-end exchange rate					
Canadian dollar	\$ 1.3641	\$ 1.2471	\$ 1.3442	9%	(7%)
Euro	0.8719	0.8465	0.9506	3%	(11%)
Average exchange rate					
Canadian dollar	\$ 1.2961	\$ 1.2981	\$ 1.3256	(0%)	(2%)
Euro	0.8472	0.8871	0.9042	(4%)	(2%)

Acquisition-related costs

Acquisition-related costs consist of operating expenses directly incurred as part of a business combination, due diligence and integration planning – including those related to the Acquisition – and continuing employment costs that are recognized separately from our business combinations. Business combination, due diligence, and integration operating expenses include advisory, legal, accounting, valuation, and other professional or consulting fees, and travel and securities filing fees.

Acquisition-related costs in 2018 totalled \$5.1 million and primarily included costs incurred for severance and retention. Labour reductions subsequent to the Acquisition were part of our cost control measures to eliminate duplicative positions, planned as part of our synergy targets. This compares to \$38.3 million of acquisition related expenses for 2017, of which \$34.7 million was associated with the Acquisition. IronPlanet acquisition-related costs for 2017 included costs incurred for acquisition and finance structure advisory fees, legal fees related to the regulatory approval process and closing of the transaction, stock option compensation expenses resulting from accelerated vesting of options assumed as part of the Acquisition, severance and retention costs that followed the Acquisition in the resulting corporate reorganization, and various integration costs.

Impairment loss

There were no impairment losses in 2018, compared to 2017 where we recognized an \$8.9 million impairment loss on certain technology assets.

Operating income

2018 performance

Operating income increased \$77.7 million, or 72%, in 2018 compared to 2017. This was driven by higher total revenues combined with lower acquisition-related costs, as well as an impairment loss in the prior year. Foreign exchange rates did not have a significant impact on operating income in 2018. Adjusted operating income (non-GAAP measure) increased \$52.9 million, or 40%, to \$186.7 million in 2018 compared to \$133.8 million in 2017.

Primarily for the same reasons noted above, operating income margin, which is our operating income divided by revenues, increased 470 bps to 15.8% in 2018 compared to 11.1% in 2017. Agency proceeds adjusted operating income rate (non-GAAP measure) increased 370 bps to 25.6% in 2018 from 21.9% in 2017.

2017 performance

Operating income decreased \$28.3 million, or 21%, in 2017 compared to 2016. This decrease was primarily due to the higher SG&A expenses, acquisition-related costs, costs of services, and D&A expenses. These increases were partially offset by the revenue increase and lower impairment loss over the same comparative period. Foreign exchange rates did not have a significant impact on operating income in 2017. Adjusted operating income (non-GAAP measure) decreased \$30.2 million, or 18%, to \$133.8 million in 2017 compared to \$164.0 million in 2016.

Primarily for the same reasons noted above, operating income margin, which is our operating income divided by revenues, decreased 90 bps to 11.1% in 2017 compared to 12.0% in 2016. Agency proceeds adjusted operating income rate (non-GAAP measure) decreased 700 bps to 21.9% in 2017 from 28.9% in 2016.

Interest expense

Interest expense increased \$6.2 million, or 16%, in 2018 compared to 2017. This increase was primarily due to:

- A full year of indebtedness incurred to finance the Acquisition compared to seven months in 2017;
- The acceleration of the accretion of deferred debt issue costs resulting from the reduction of our syndicated credit facility and voluntary repayment of term loans during 2018; and
- An increase in variable short-term interest over the comparative period.

The increase was partially offset by the reduction in interest expense resulting from our \$80.0 million voluntary prepayment of the term loan in 2018. As at December 31, 2018, our long-term debt was \$711.3 million compared to \$812.9 million as at December 31, 2017.

Interest expense increased \$32.7 million, or 588%, in 2017 compared to 2016. This increase was primarily due to indebtedness to finance the Acquisition.

Other income

Other income increased \$3.6 million, or 44%, in 2018 compared to 2017. This was primarily due to gain on the sale of an equity accounted for investment. In 2017, other income increased \$1.1 million, or 16%, compared to 2016 primarily due to gains from vehicle and yard equipment disposals in the U.S.

Income tax expense and effective tax rate

2018 performance

We recorded an income tax expense of \$31.0 million in 2018 compared to \$2.0 million in 2017. Our effective tax rate was 20.3% compared to 2.7% in 2017. The increase in income tax expense over the comparative period was primarily the result of a \$10.1 million deferred income tax recovery in 2017 due to the remeasurement of deferred income tax assets and liabilities arising from changes in statutory tax rates as a result of the TCJA. In addition, in 2018 there was a greater proportion of earnings taxed in jurisdictions with higher tax rates, and we were subject to the Base Erosion Anti-Abuse Tax ("BEAT") that was introduced by the TCJA.

The BEAT imposes a minimum tax on large corporations that make certain deductible payments to non-US related entities. The majority of our payments are related to transfer pricing payments made from our US operations to our Canadian operations.

2017 performance

We recorded an income tax expense of \$2.0 million in 2017 compared to \$37.0 million in 2016. Our effective tax rate was 2.7% in 2017 compared to 28.3% in 2016. The decrease in income tax expense over the comparative period was primarily the result of a greater proportion of earnings taxed in jurisdictions with lower tax rates, a \$10.1 million deferred income tax recovery due to the remeasurement of deferred income tax assets and liabilities arising from changes in statutory tax rates (as noted above), and a decrease in the valuation allowance applied to deferred income tax assets. This decrease was partially offset by an increase in non-deductible expenses and \$2.3 million of expense related to an increase in uncertain tax positions. We increased our uncertain tax position in the first quarter of 2017 due to an unfavourable outcome of a tax dispute in one of our European operating jurisdictions.

Net income

2018 performance

Net income attributable to stockholders increased \$46.5 million, or 62%, in 2018 compared to 2017. This increase was primarily due to higher total revenues combined with \$33.2 million less acquisition-related costs, and a \$4.9 million gain on sale of an equity accounted for investment, partially offset by higher interest expense and income tax expense. Adjusted net income attributable to stockholders (non-GAAP measure) increased \$30.0 million, or 34%, to \$117.7 million in 2018 from \$87.7 million in 2017.

For these same reasons, net income increased \$46.2 million, or 61%, in 2018 compared to 2017. Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") (non-GAAP measure) increased \$65.8 million, or 34%, to \$257.3 million in 2018 from \$191.5 million in 2017.

Primarily for the same reasons noted above, net income margin increased 260 bps to 10.4% in 2018 from 7.8% in 2017. Agency proceeds adjusted EBITDA rate (non-GAAP measure) increased 390 bps to 35.3% in 2018 from 31.4% in 2017.

Debt at December 31, 2018 represented 6.0 times net income for 2018. Debt at December 31, 2017 represented 10.9 times net income for 2017. The decrease in this debt/net income multiplier was primarily due to lower debt balances at December 31, 2018 versus December 31, 2017 due to the \$80.0 million voluntary prepayment of the term loan, and a higher net income over the comparative period. The decrease in debt was primarily due to repayments of debt related to the funding for the Acquisition.

2017 performance

Net income attributable to stockholders decreased \$16.8 million, or 18%, in 2017 compared to 2016. This decrease was primarily due to the \$26.4 million increase in acquisition-related costs and the increase in interest expense, partially offset by a lower income tax expense over the same comparative period. Adjusted net income attributable to stockholders (non-GAAP measure) decreased \$35.6 million, or 29%, to \$87.7 million in 2017 from \$123.3 million in 2016.

For these same reasons, net income decreased \$18.2 million, or 19%, in 2017 compared to 2016. Adjusted EBITDA (non-GAAP measure) decreased \$18.6 million, or 9%, to \$191.5 million in 2017 from \$210.1 million in 2016.

Primarily for the same reasons noted above, net income margin decreased 50 bps to 7.8% in 2017 from 8.3% in 2016. Agency proceeds adjusted EBITDA rate (non-GAAP measure) decreased 570 bps to 31.4% in 2017 from 37.1% in 2016.

Debt at December 31, 2017 represented 10.9 times net income for 2017. This compares to debt at December 31, 2016, which represented 6.6 times net income for 2016. The increase in this debt/net income multiplier was primarily due to a net increase in long-term debt in 2017, combined with the decrease in net income for 2017 compared to 2016. The increase in debt was primarily due to funding for the Acquisition. Adjusted net debt/adjusted EBITDA (non-GAAP measure) was 2.9 times as at and for the year ended December 31, 2017 compared to 2.0 times as at and for the year ended December 31, 2016.

Diluted EPS

2018 performance

Diluted EPS attributable to stockholders increased 61% to \$1.11 in 2018 from \$0.69 in 2017. This increase is primarily due to the increase in net income attributable to stockholders, partially offset with an increase in the weighted average number of dilutive shares outstanding over the same comparative period. The increase in the weighted average number of dilutive shares is primarily due to issuance of common shares upon exercise of stock options and vesting of equity-classified share units. Diluted adjusted EPS attributable to stockholders (non-GAAP measure) increased 33% to \$1.08 in 2018 from \$0.81 in 2017.

2017 performance

Diluted EPS attributable to stockholders decreased 19% to \$0.69 in 2017 from \$0.85 in 2016. This decrease is primarily due to the decrease in net income attributable to stockholders, combined with an increase in the weighted average number of dilutive shares outstanding over the same comparative period. The increase in the weighted average number of dilutive shares is primarily due to the modification of certain share units, including the CEO SOG PSUs, from liability-classified to equity-classified in May 2016 and May 2017, as well as the assumption of IronPlanet stock options as part of the Acquisition. Diluted adjusted EPS attributable to stockholders (non-GAAP measure) decreased 30% to \$0.81 in 2017 from \$1.15 in 2016.

Segment Performance

(in U.S. \$000's)	Year ended December 31, 2018			Year ended December 31, 2017			Year ended December 31, 2016		
	A&M	Other	Consolidated	A&M	Other	Consolidated	A&M	Other	Consolidated
Revenues	\$ 1,046,518	\$ 123,508	\$ 1,170,026	\$ 870,797	100,394	971,191	\$ 1,045,174	\$ 81,803	\$ 1,126,977
Cost of inventory sold	374,339	-	374,339	306,498	-	306,498	513,348	-	513,348
Costs of services	87,430	71,628	159,058	75,685	57,504	133,189	65,248	48,048	113,296
SG&A expenses	363,549	19,127	382,676	308,873	14,397	323,270	272,317	11,212	283,529
Impairment loss	-	-	-	8,911	-	8,911	28,243	-	28,243
Segment profit	\$ 221,200	\$ 32,753	\$ 253,953	\$ 170,830	\$ 28,493	\$ 199,323	\$ 166,018	\$ 22,543	\$ 188,561

(1) Cost of services exclude depreciation and amortization expenses

Auctions and Marketplaces segment Results of A&M segment operations

	(in U.S. \$000's)							
	Year ended December 31,							
				\$ Change		% Change		
	2018	2017	2016	2018 over 2017	2017 over 2016	2018 over 2017	2017 over 2016	
Service revenues	\$ 626,007	\$ 524,023	\$ 474,040	\$ 101,984	\$ 49,983	19%	11%	
Revenue from inventory sales	420,511	346,774	571,134	73,737	(224,360)	21%	(39%)	
Total revenues	1,046,518	870,797	1,045,174	175,721	(174,377)	20%	(17%)	
Costs of services	87,430	75,685	65,248	11,745	10,437	16%	16%	
Cost of inventory sold	374,339	306,498	513,348	67,841	(206,850)	22%	(40%)	
SG&A expenses	363,549	308,873	272,317	54,676	\$ 36,556	18%	13%	
Impairment loss	-	8,911	28,243	(8,911)	\$ (19,332)	(100%)	(68%)	
A&M segment expenses	825,318	699,967	879,156	125,351	(179,189)	18%	(20%)	
A&M segment profit	\$ 221,200	\$ 170,830	\$ 166,018	\$ 50,370	4,812	29%	3%	

	Year ended December 31,				
				% Change	
	2018	2017	2016	2018 over 2017	2017 over 2016
Service revenues as a % of total revenue	60%	60%	45%	- bps	1500 bps
Revenue from inventory sales as a % of total revenue	40%	40%	55%	- bps	-1500 bps
Cost of inventory sold as a % of segment expenses	45%	44%	58%	100 bps	1400 bps

Gross Transaction Value

We believe that revenues are best understood by considering their relationship with GTV. The following table presents GTV by channel:

	(in U.S. \$000's)									
	Year ended December 31,									
	2018		2017		2016		\$ Change		% Change	
	GTV	% of total	GTV	% of total	GTV	% of total	2018 over 2017	2017 over 2016	2018 over 2017	2017 over 2016
Live on site auctions	\$ 4,134,838	83%	\$ 3,947,730	88%	\$ 4,186,811	97%	\$ 187,108	\$ (239,081)	5%	(6%)
Online marketplaces including featured ⁽¹⁾ and other ⁽²⁾	829,327	17%	520,252	12%	148,004	-	309,075	372,248	59%	252%
GTV	\$ 4,964,165	100%	\$ 4,467,982	100%	\$ 4,334,815	100%	\$ 496,183	\$ 133,167	11%	3%

(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.

The following table presents GTV mix by type of contract:

	Year ended December 31,				
				% Change	
	2018	2017	2016	2018 over 2017	2017 over 2016
Straight commissions GTV as a % of total GTV	83.7%	83.6%	74.8%	10 bps	880 bps
Guarantee contracts GTV as a % of total GTV	8.8%	8.3%	12.2%	50 bps	-390 bps
Inventory sold GTV as a % of total GTV	8.4%	8.1%	13.0%	30 bps	-490 bps

2018 performance

GTV increased \$496.2 million, or 11%, in 2018 compared to 2017. The increase was primarily due to the Acquisition and improved live on site and online auction performance driven by strong price performance. We significantly increased GTV generated from online marketplaces by 59% due to the Acquisition and new compensation strategies focused on expansion of online marketplaces. Live on site auctions increased 5% primarily due to strong live on site auction performance in Canada, and in the U.S.

As part of our calendar optimization efforts and site closures, we reduced the number of live on site auctions from 402 in Fiscal 2017 to 348 in Fiscal 2018, as well as the number of sale days over the comparative period in our auction calendar.

The total number of industrial and agricultural lots sold at live on site auctions decreased 3% to 406,500 lots in 2018 compared to 417,600 lots in 2017, and GTV on a per-lot basis increased 6% to \$9,900 in 2018 compared to \$9,300 in 2017.

The volume of underwritten commission contracts increased to 17% in 2018 compared to 16% of GTV in 2017, consistent with the increase in revenue from inventory sales.

2017 performance

GTV increased \$133.2 million, or 3%, in 2017 compared to 2016. The increase was primarily due to the Acquisition, and the resulting increase in online marketplace GTV, as well as a favourable impact of foreign exchange rates over the comparative period. The increase was partially offset by a decrease GTV from live on site auctions, which was primarily due to a decrease in the number of lots in 2017 compared to 2016.

The total number of industrial and agricultural lots decreased 5% to 417,600 in 2017 from 437,300 in 2016, and GTV on a per-lot basis decreased 3% to \$9,300 in 2017 compared to \$9,600 in 2016. The total number of lots sold online increased 12% to 252,500 lots in 2017 compared to 224,500 lots in 2016.

The volume of underwritten commission contracts decreased to 16% of our GTV in 2017 from 25% in 2016, primarily due to the pressure on used equipment market supply volume.

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 metric 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 as at and for the 12-month period ended December 31, 2018 was \$11.6 million per Revenue Producer compared to \$11.0 million per Revenue Producer for the 12-month period ended December 31, 2017. We believe the increase of \$0.6 million per Revenue Producer over the comparative period is evidence that our sales teams are continually progressing, as we have moved beyond the most complex stage of our integration.

Sales Force Productivity as at and for the 12-month period ended December 31, 2017 was calculated as the sum of the following two amounts:

- GTV for the five months, pre-Acquisition, ended May 31, 2017, divided by the average number of Revenue Producers over the same five-month period; and
- GTV for the seven months following the Acquisition divided by the average number of Revenue Producers over the same seven-month period.

Total industrial live on site auction metrics

	Year ended December 31,			% Change	
	2018	2017	2016	2018 over 2017	2017 over 2016
Number of auctions	183	245	232	(25%)	6%
Bidder registrations	555,000	575,500	549,000	(4%)	5%
Consignments	53,950	56,850	53,450	(5%)	6%
Buyers	135,250	139,900	138,400	(3%)	1%
Lots	377,000	382,500	398,500	(1%)	(4%)

Average industrial live on site auction metrics

	Year ended December 31,						\$ Change			
	2018		2017		2016		2018 over 2017	2017 over 2016		
GTV	\$	21.2 million	\$	15.2 million	\$	16.8 million	\$	6.0 million	\$	(1.6) million
Bidder registrations		3,033		2,348		2,356		29%		(0%)
Consignors		295		232		229		27%		1%
Lots		2,060		1,562		1,711		32%		(9%)

At the end of 2017, we announced the closure of five on site auction locations across North America as part of our site optimization strategy to focus on online sales and larger auctions. This resulted in 25% less number of industrial live on site auctions held in 2018 compared to 2017. Partially as a result of this strategy, there was a \$6.0 million increase in average GTV per industrial auction in 2018 compared to 2017, and also a 32% increase in average lots per industrial live on site auction metrics. GTV was only minimally impacted by the closure of our auction sites.

We saw increases in all key industrial auction metrics in 2017 compared to 2016, except for the number of lots. The decrease in lots was primarily due to 2016 lower auction activity in the U.S. and Canada, as well as the performance of the used equipment market, which experienced supply volume pressure over the comparative period. However, we saw a decrease in the average GTV per industrial auction in 2017 compared to 2016. We believe the decrease was primarily driven by constrained supply of used equipment, the mix and age of equipment that came to market, as well as some lower sales productivity from our sales teams post-Acquisition.

Online bidding at live on site auctions

Internet bidders comprised 75% of the total bidder registrations at our live on site auctions in 2018 compared to 69% in 2017. Across all channels, 59% of total GTV was purchased by online buyers in 2018 compared to 54% in 2017. This increase in internet bidders and online buyers show that we continued to promote multi-channel participation at our auctions throughout 2018.

Website metrics¹

Traffic across all our websites increased 27% in 2018 compared to 2017, primarily due to increased traffic on our IronPlanet websites. Similarly, traffic across all our websites increased 23% in 2017 compared to 2016, with the addition of IronPlanet traffic accounting for most of the increase.

Revenues

In the A&M segment, we earn service revenues and revenue from inventory sales. Service revenues are commissions from sales at our auctions represents the percentage earned by the Company on the gross proceeds from equipment and other assets sold at auction. Revenue from inventory sales represents the gross proceeds of the sales of the equipment and other assets sold at auction that are owned by us. In each of 2018 and 2017, total revenue from inventory sales as a percent of total revenues was 40%. In 2016, the proportion of total revenues as a percent of revenue from inventory sales was 55%. Revenue from inventory sales and the related cost of inventory sold can change significantly year-over-year as it depends on whether straight commission contracts or inventory contracts are utilized at the time of selling. The change in revenue mix can cause fluctuations in our revenue growth percentages and our cost of inventory sold as a percent of segment expenses.

Revenue rate is defined as total revenue divided by GTV. For revenue from inventory sales, the amount of revenue recognized is equal to the gross transaction value and the revenue rate for this revenue stream is 100%. For our straight commission contracts, we recognize revenue based on the commission earned and the revenue rate for the service revenues represents the percentage of commission earned from the gross transaction value. Revenue rate also fluctuates based on the proportion of revenue that is comprised of revenue from inventory sales.

¹ None of the information in our websites is incorporated by reference into this document by this or any other reference.

A&M revenues by geographical region and segment Revenue Rate are presented below:

(in U.S. \$000's)	Year ended December 31,						
				\$ Change		% Change	
	2018	2017	2016	2018 over	2017 over	2018 over	2017 over
United States	\$ 500,182	\$ 409,557	517,354	\$ 90,625	\$ (107,797)	22%	(21%)
Canada	249,431	218,890	270,313	30,541	(51,423)	14%	(19%)
International	296,905	242,350	257,507	54,555	\$ (15,157)	23%	(6%)
A&M total revenues	\$ 1,046,518	\$ 870,797	\$ 1,045,174	\$ 175,721	(174,377)	20%	(17%)
A&M revenue rate	21.1%	19.5%	24.1%				

2018 performance

Changes in segment revenues in 2018 compared to 2017 were primarily due to the Acquisition, partial fee harmonization, as well as the following regional differences:

- United States– 22% increase was also due to increases in revenue from inventory sales.
- Canada– 14% increase was also due to an increase in service revenues from live on site auctions. There was also an increase in inventory sales during the year.
- International– 23% increase was also due to an increase in revenue from inventory sales partially driven by macroeconomic conditions in parts of Europe creating a more favourable supply environment.

A&M Revenue Rate grew to 21.1% in 2018 compared to 19.5% in 2017, due to partial fee harmonization and listing fees from our online marketplace channel.

2017 performance

Changes in A&M revenues in 2017 compared to 2016 were primarily due to a decrease in revenue from inventory sales in the U.S. and Canada as evident by the decrease in inventory sold GTV as a percent of total GTV from 13.0% to 8.1% in this comparative period. A&M revenue in the US was partially offset by an increase in service revenue as a result of the Acquisition. The 2016 revenue rate was 24.1% compared to 19.5% in 2017, primarily due to the larger percentage of revenue comprised of revenue from inventory sales in 2016.

Costs of services

A&M costs of services by nature are presented below:

(in U.S. \$000's)	Year ended December 31,						
				\$ Change		% Change	
	2018	2017	2016	2018 over	2017 over	2018 over	2017 over
Employee compensation	\$ 39,329	\$ 33,498	\$ 27,643	\$ 5,831	\$ 5,855	17%	21%
Buildings, facilities and technology	8,580	7,552	7,365	1,028	187	14%	3%
Travel, advertising and promotion	26,399	23,475	23,688	2,924	(213)	12%	(1%)
Other costs of services	13,122	11,160	6,552	1,962	4,608	18%	70%
A&M costs of services	\$ 87,430	\$ 75,685	\$ 65,248	\$ 11,745	\$ 10,437	16%	16%

2018 performance

A&M costs of services increased \$11.7 million, or 16%, in 2018 compared to 2017 primarily due to the Acquisition, in line with higher activity and costs associated with the inspection activities that support online marketplaces, which more customers used as our business continued to expand especially in North America. In particular, we significantly increased costs related to GovPlanet's contracts with government agencies.

2017 performance

A&M costs of services increased \$10.4 million, or 16% in 2017 compared to 2016 primarily due to the Acquisition, which drove the increase in our online marketplace GTV and revenues. The increase in online marketplace revenue resulted in an increase in the costs incurred to earn those revenues, which were primarily related to inspection activities. Other costs of services include storage and shipping costs, primarily associated with costs to move equipment off government facilities as part of our GovPlanet channel activities.

Cost of inventory sold

A&M costs of inventory sold increased \$67.8 million, or 22%, in 2018 compared to 2017. This increase was primarily due to an increase in the volume of inventory contracts.

A&M costs of inventory sold decreased \$206.9 million, or 40%, in 2017 compared to 2016, in line with the decrease in revenue from inventory sales in the comparative period.

SG&A expenses

A&M SG&A expenses, which include our corporate head office support costs, are presented by nature below:

(in U.S. \$000's)	Year ended December 31,							
	2018	2017	2016	\$ Change		% Change		
				2018 over 2017	2017 over 2016	2018 over 2017	2017 over 2016	
Employee compensation	\$ 235,384	\$ 198,523	\$ 173,329	\$ 36,861	\$ 25,194	19%	15%	
Buildings, facilities and technology	59,061	51,504	47,790	7,557	3,714	15%	8%	
Travel, advertising and promotion	35,007	29,071	23,310	5,936	5,761	20%	25%	
Professional fees	15,494	12,388	12,506	3,106	(118)	25%	(1%)	
Other SG&A expenses	18,603	17,388	15,382	1,215	2,006	7%	13%	
A&M SG&A expenses	\$ 363,549	\$ 308,874	\$ 272,317	\$ 54,675	\$ 36,557	18%	13%	

Our A&M segment SG&A expenses increased \$54.7 million, or 18%, in 2018 compared to 2017. The increase was primarily due to the Acquisition, continued investments in talent to support growth of our businesses and initiatives, share unit expenses, and operational costs incurred to support GovPlanet's non-rolling stock contracts with the Defense Logistics Agency. The Acquisition drove increases in technology support costs, travel and advertising to support our online marketplace sales. Of the \$8.8 million increase in our share unit expenses in 2018, \$3.3 million related to mark-to-market costs driven by growth in our share price over the comparative period and \$2.2 million related to the incremental compensation costs from the modifications of our share unit plans.

Our A&M segment SG&A expenses increased \$36.6 million, or 13%, in 2017 compared to 2016. The increase is primarily due to the Acquisition, including increased headcount, travel costs, and search engine fees associated with our online marketplace channel, as well as merit increases and higher bank fees attributable to our new credit facility.

Other Services Segment

Results of Other Services segment operations

(in U.S. \$000's)	Year ended December 31,							
	2018	2017	2016	\$ Change		% Change		
				2018 over 2017	2017 over 2016	2018 over 2017	2017 over 2016	
Service revenues	\$ 123,508	\$ 100,394	\$ 81,803	\$ 23,114	\$ 18,591	23%	23%	
Costs of services	71,628	57,504	48,048	14,124	9,456	25%	20%	
SG&A expenses	19,127	14,397	11,212	4,730	3,185	33%	28%	
Other services profit	\$ 32,753	\$ 28,493	\$ 22,543	\$ 4,260	\$ 5,950	15%	26%	

2018 performance

Revenue from other services grew \$23.1 million, or 23%, in 2018 compared to 2017. This increase was primarily due to increases in RBFS of \$7.1 million, logistical services revenues of \$4.5 million, Asset Appraisal Services ("AAS") of \$3.2 million, and Mascus of \$2.1 million.

Funded volume, which represents the amount of lending brokered by RBFS, increased 41% from \$306.4 million in 2017 to \$431.5 million in 2018. RBFS segment revenues were \$23.2 million in 2018, a 44% increase compared to \$16.1 million in 2017. RBFS operating profit increased 47% over the same comparative period to \$12.6 million from \$8.2 million. Logistical services revenues grew primarily to support our European customers.

Other services profit increased \$4.3 million, primarily due to segment profit earned from RBFS.

2017 performance

Revenue from other services grew \$18.6 million, or 23%, in 2017 compared to 2016. This increase was primarily due to the Acquisition, which added \$3.4 million of AAS revenue in 2017, RBFS, Mascus, and RB Logistics.

Funded volume, which represents the amount of lending brokered by RBFS, increased 17% from \$261.4 million in 2016 to \$306.4 million in 2017. RBFS segment revenues were \$16.1 million in 2017, a 26% increase compared to \$12.8 million in 2016. RBFS operating profit increased 28% over the same comparative period to \$8.2 million from \$6.4 million.

Other services profit increased \$6.4 million, primarily due to segment profit earned from AAS and RBFS.

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 24 “Equity and Dividends” and 25 “Share-based Payments” in “Part II, Item 8: Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

Share repurchase program

Our normal course issuer bid (“NCIB”) that was approved by the TSX on March 1, 2016 expired on March 2, 2017 and was not renewed. No share purchases were made pursuant to the NCIB, or by any other means, during the year end December 31, 2018.

Liquidity and Capital Resources

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, our net capital spending², and significant acquisitions of businesses.

Operating activities continue to be the primary source of our cash, as well as borrowings from our revolving credit facilities to fund significant acquisitions and various business activities. 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)	Year ended December 31,							
				\$ Change		% Change		
	2018	2017	2016	2018 over 2017	2017 over 2016	2018 over 2017	2017 over 2016	
Cash provided by (used in):								
Operating activities	\$ 144,280	\$ 147,568	\$ 177,558	\$ (3,288)	\$ (29,990)	(2%)	(17%)	
Investing activities	(30,953)	(710,954)	(116,862)	680,001	(594,092)	(96%)	508%	
Financing activities	(134,107)	119,263	404,143	(253,370)	(284,880)	(212%)	(70%)	
Effect of changes in foreign currency rates	(4,769)	17,150	4	(21,919)	17,146	(128%)	428650%	
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ (25,549)	\$ (426,973)	\$ 464,843	\$ 401,424	\$ (891,816)	(94%)	(192%)	

Operating activities

2018 performance

Cash provided by operating activities decreased \$3.3 million, or 2%, during 2018 compared to 2017. This decrease was primarily due to changes in certain of our operating assets and liabilities, which exceeded the \$46.2 million increase in our net income. Changes in inventory used \$68.7 million more cash during 2018 compared to 2017. \$27.8 million of this increase was attributable to non-rolling stock inventory related to our GovPlanet business. The remainder of the increase was primarily due to increases in inventory held in Europe and the United States. Excluding the non-rolling stock inventory, approximately 64% of the remaining December 31,

² We calculate net capital spending as property, plant and equipment additions plus intangible asset additions less proceeds on disposition of property, plant and equipment.

2018 balance of inventory is expected to sell at live on site auctions during the first quarter of 2019 and another 22% by the end of the second quarter of 2019, with the remaining balance to be sold online or via Private Treaty.

2017 performance

Cash provided by operating activities decreased \$30.0 million, or 17%, during 2017 compared to 2016. This decrease was primarily due to a decrease in cash earnings, which included decreases in net income of \$18.2 million, and a decrease in non-cash charges, which included decreases in impairment losses of \$19.3 million. Changes in certain of our operating assets and liabilities also contributed to the decline in cash flow from operations. Particularly, changes in inventory used \$35.1 million more cash during 2017 compared to 2016. This was primarily due to large inventory packages held at the end of 2015 being sold in the February 2016 Orlando auction, combined with a large inventory package held in Canada at the end of 2017 that relates to a dispersal of oil and gas equipment, most of which was sold in March 2018.

Investing activities

Net cash used in investing activities decreased \$680.0 million during 2018 compared to 2017. This decrease is primarily due to the May 2017 acquisition of IronPlanet for \$675.9 million (net of cash acquired). The remainder of the change is primarily due to \$6.1 million of proceeds on disposal of an equity investment in 2018.

CAPEX intensity presents net capital spending as a percentage of revenue. We believe that comparing CAPEX intensity on a trailing 12-month basis for different financial periods provides useful information as to the amount of capital expenditure that we require to generate revenues.

The following table presents CAPEX intensity and agency proceeds CAPEX rate (non-GAAP measure), as well as reconciles those metrics to property, plant and equipment additions, intangible asset additions, proceeds on disposition of property, plant and equipment, and total revenues, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements.

(in U.S. \$ millions)	Year ended December 31,				
	2018	2017	2016	% Change	
				2018 over 2017	2017 over 2016
Property, plant and equipment additions	\$ 16.9	\$ 10.8	\$ 18.9	56%	(43%)
Intangible asset additions	26.1	28.6	17.6	(9%)	63%
Proceeds on disposition of property plant and equipment	(10.6)	(5.0)	(6.7)	112%	(25%)
Net capital spending	\$ 32.4	\$ 34.4	\$ 29.8	(6%)	15%
Total revenues	1,170.0	971.2	1,127.0	20%	(14%)
Less: cost of inventory sold	(374.3)	(306.5)	(513.3)	22%	(40%)
Less: ancillary and logistical service expenses	(66.6)	(54.2)	(47.2)	23%	15%
Agency proceeds (non-GAAP measure)	\$ 729.1	\$ 610.5	\$ 566.5	19%	8%
CAPEX intensity	2.8%	3.5%	2.6%	-70 bps	90 bps
Agency Proceeds CAPEX rate (non-GAAP measure)	4.4%	5.6%	5.3%	-120 bps	30 bps

- (1) Agency proceeds CAPEX* rate is a non-GAAP financial measure that we believe, when compared on a trailing 12-month basis to different financial periods provides useful information as to the amount of capital expenditure that we require to generate revenues. It is not a measure of liquidity.
- (2) Agency proceeds CAPEX* rate is calculated by dividing net capital spending by agency proceeds (non-GAAP measure).

2018 performance

CAPEX intensity for 2018 decreased compared to CAPEX intensity for 2017, primarily due to total revenues increasing 20% and net capital spending decreasing 6% over the comparative period. Net capital spending decreased primarily due to two excess properties sales in the fourth quarter of 2018. This decrease was partially offset by increased spending on property, plant and equipment additions primarily relating to our auction sites and two warehouse facilities housing our non-rolling stock inventory. Operating Free Cash Flow ("OFCF") (non-GAAP measure) decreased \$1.3 million to \$111.9 million for 2018 due to the decrease in cash provided by operating activities offset by lower net capital spending.

2017 performance

CAPEX intensity for 2017 increased compared to CAPEX intensity for 2016, primarily due to the net capital spending increase of 15% combined with the decrease in revenue of 14% over the comparative period. The net capital spending increase was primarily due to an increase in the capitalization of costs of intangible assets under development. Significant software development projects in 2017 included systems integration following the Acquisition and other acquisitions, as well as enhanced functionality for our online marketplace sales channel. The decrease in cash provided by operating activities combined with the increase in net capital spending resulted in a decrease in OFCF (non-GAAP measure) of \$34.6 million, or 23%, to \$113.2 million in 2017 from \$147.8 million in 2016.

Financing activities

Financing activities used net cash of \$134.1 million in 2018, primarily for \$80.0 million of voluntary debt repayments and \$75.7 million of dividend payments. This was partially offset by \$28.5 million of cash provided by the issuance of share capital related to stock option exercises.

Financing activities provided net cash of \$119.3 million in 2017 with \$198.5 million more borrowings, net of repayments, and \$9.9 million of cash provided by the issuance of share capital related to stock option exercises. The 2017 net borrowings were primarily related to our term loans used to finance the Acquisition. The 2017 net cash inflows were partially offset by \$72.8 million of dividend payments and \$12.6 million of debt issue costs.

Financing activities provided net cash of \$404.1 million in 2016 with \$509.0 million more borrowings, net of repayments, and \$24.3 million of cash provided by the issuance of share capital related to stock option exercises. The 2016 net borrowings primarily related to our unsecured senior notes (the "Notes") used to finance the Acquisition. The 2016 net cash inflows were partially offset by \$73.9 million of dividend payments, a \$36.7 million share repurchase, \$10.6 million of debt issue costs, and \$6.8 million of debt extinguishment costs.

Dividend information

We declared and paid regular cash dividends of \$0.17 per common share for the quarters ended December 31, 2017 and March 31, 2018. We declared and paid regular cash dividends of \$0.18 per common share for the quarters ended June 30, 2018 and September 30, 2018. We have declared, but not yet paid, a dividend of \$0.18 per common share for the quarter ended December 31, 2018. 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 62.3% in 2018 from 97.1% in 2017. 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 64.3% in 2018 from 83.0% in 2017.

Our dividend payout ratio in 2017 increased to 97.1% from 76.8% in 2016. This increase is primarily the result of the decrease in net income attributable to stockholders combined with the increase in our dividends paid to stockholders, year-over-year. Our adjusted dividend payout ratio (non-GAAP measure) increased to 83.0% in 2017 from 57.2% in 2016.

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 260 bps to 7.9% in 2018 from 5.3% in 2017. This increase is primarily due to a \$46.5 million, or 62%, increase in net income attributable to stockholders over the comparative period, combined with the impact of \$80.0 million in voluntary debt repayments on average invested capital during 2018. Return on invested capital ("ROIC") (non-GAAP measure) increased 140 bps to 7.6% in 2018 from 6.2% in 2017.

Return on average invested capital decreased 350 bps to 5.3% in 2017 from 8.8% in 2016. This decrease is primarily due to a \$375.7 million, or 36%, increase in average invested capital year-over-year, which was driven by the issuance of the Notes in the fourth quarter of 2016 and the delayed-draw term loans borrowed in the second quarter of 2017. Also contributing to the decrease in return on average invested capital over this comparative period was a \$16.8 million, or 18%, decrease in net income attributable to stockholders. ROIC (non-GAAP measure) decreased 560 bps to 6.2% in 2017 from 11.8% in 2016.

Credit facilities

Credit facilities at December 31, 2018 and 2017 were as follows:

(in U.S. \$000's)	Year ended December 31,		
	2018	2017	% Change
<i>Committed</i>			
Term loan facility	\$ 224,581	\$ 316,546	(29%)
Revolving credit facilities	500,000	685,000	(27%)
Total credit facilities	\$ 724,581	\$ 1,001,546	(28%)
<i>Unused</i>			
Term loan facility	\$ -	\$ -	0%
Revolving credit facilities	467,801	646,991	(28%)
Total credit facilities unused	\$ 467,801	\$ 646,991	(28%)

Term loan facility

During 2018, we made voluntary prepayments totalling \$80.0 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.

Revolving credit facilities

Our syndicated credit facility is made available under the terms of our credit agreement with a syndicate of lenders, for which Bank of America, N.A. is the administrative agent (the "Credit Agreement"). On June 21, 2018, we reduced the amount available on our committed revolving credit facilities by \$185.0 million. At December 31, 2018, of the remaining \$500.0 million in committed, revolving credit facilities, \$490.0 million is available pursuant to our Credit Agreement and \$10.0 million relates to credit facilities in certain foreign jurisdictions.

At December 31, 2018, the syndicated credit facility provided us with:

- Revolving facilities of up to \$490.0 million;
- The term loan facility mentioned above, which was used to finance the Acquisition; and
- At our 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 \$50.0 million.

Borrowings under the 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, 2018, 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.

On December 31, 2018, we had \$467.8 million of unused committed revolving credit facilities., which consisted of:

- \$458.7 million under our syndicated credit facility that expires on October 27, 2021;
- \$5.0 million under a foreign credit facility that expires on October 27, 2021; and
- \$4.1 million under a foreign demand credit facility that has no maturity date.

Debt

At December 31, 2018, our short-term debt of \$19.9 million consisted of borrowings under our committed revolving credit facilities and had a weighted average annual interest rate of 2.3%. This compares to current borrowings of \$7.0 million at December 31, 2017 with a weighted average annual interest rate of 2.7%.

As at December 31, 2018, we had a total of \$711.3 million long-term debt with a weighted average annual interest rate of 5.1%. This compares to long-term debt of \$812.9 million as at December 31, 2017 with a weighted average annual interest rate of 4.8%.

Senior unsecured notes

On December 21, 2016, we completed the offering of the Notes for an aggregate principal amount of \$500.0 million. The Notes bear interest at a rate of 5.375% per annum and have a maturity date of January 15, 2025. The proceeds of the offering 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, 2018.

Credit ratings

As noted above, the Acquisition was primarily funded by our Notes and the term loan. We also make use of our short-term debt to fund certain operations, which may include inventory purchases. Should our credit ratings, currently issued by Moody's Investors Services ("Moody's") and Standard and Poor's Global Ratings ("S&P"), improve to investment grade then certain of the covenants contained in the Notes and the Credit Agreement (described above) would be suspended or eliminated.

On December 4, 2018, S&P revised its outlook on the Company to positive from stable and raised its issue-level rating on our Notes to BB from BB-. On December 19, 2018, Moody's upgraded our corporate family rating to Ba2 from Ba3, our issuer-level rating on our Notes to Ba3 from B2, and our term loan rating to Ba1 from Ba2. Moody's ratings outlook for the Company remains stable.

A credit rating is not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and should be evaluated independently of any other rating.

Contractual obligations at December 31, 2018

(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	\$ 724,581	\$ 13,126	\$ 211,455	\$ -	\$ 500,000
Interest	201,237	36,960	70,214	53,750	40,313
Capital lease obligations	16,208	5,480	7,891	2,837	-
Operating lease obligations	97,028	15,988	23,830	14,877	42,333
Purchase obligations	1,151	1,151	-	-	-
Share unit liabilities	3,715	3,715	-	-	-
Other non-current liabilities	3,292	-	1,091	20	2,181
Total contractual obligations	\$ 1,047,212	\$ 76,420	\$ 314,481	\$ 71,484	\$ 584,827

Our long-term debt obligations included in the table above consist of draws under the Credit Agreement and our Notes. Our finance leases relate primarily to computer, automotive, and yard equipment. Our operating leases relate primarily to land on which we operate regional auction sites and administrative buildings, located in North America, Central America, Europe, the Middle East, and Asia. Other operating leases include leases of automotive, yard, and office equipment. Purchase obligations relate to capital expenditure commitments we have made with respect to property, plant and equipment and intangible assets. Share unit liabilities reflect the amounts of the future cash-settlement obligations of share units earned that, as of December 31, 2018, are expected to vest.

In the normal course of our business, we may guarantee a minimum level of proceeds in connection with the sale at auction of a consignor's equipment. Our total exposure as at December 31, 2018 from these guarantee contracts was \$40.0 million, compared to \$30.9 million at December 31, 2017, which we anticipate will be fully covered by the proceeds that we will receive from the sale at auction of the related equipment, plus our commission. We do not record any liability in our financial statements in respect of these guarantee contracts, and they are not reflected in the contractual obligations table above.

Going concern assessment

We believe our existing working capital and availability under our credit facilities, including the New Facilities, the Notes, and our other credit facilities, are sufficient to satisfy our present operating requirements and contractual obligations (detailed above), 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.

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 stock option and share unit awards;
- 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 performance share units subject to market conditions

We initially measure the cost of performance share units, which are subject to market vesting conditions, using a 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 also requires determination of the most appropriate inputs to the valuation model, including the expected life of the share unit, 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, 2018, we performed a qualitative assessment of the A&M reporting unit and we concluded there were no indicators of impairment that existed and therefore further quantitative analysis was not required.

Mascus reporting unit goodwill

Goodwill arising from the acquisition of Mascus forms part of the reporting unit on December 31, 2018, 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 of 8% and an operating margin ranging between 41% to 49% from 2019 to 2023. 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, 2018.

Recoverability of indefinite-lived intangible assets

We perform impairment tests on indefinite-lived intangible assets, which are certain of our 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, 2018, 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.

Changes in tax rates and tax law are accounted for in the period of enactment. On December 22, 2017, new federal tax reform legislation was enacted in the U.S., resulting in significant changes from previous tax law. The TCJA reduces the federal corporate income tax rate to 21% from 35% effective January 1, 2018. ASC 740, *Income Taxes*, requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled, which may impact the carrying values of deferred tax assets and liabilities. The effect of a change in tax law is recorded as a discrete component of the

income tax provision related to continuing operations in the period of enactment. Changes in the valuation allowance assessment due to the 2017 TCJA would also be recorded to continuing operations in the tax provision. When realization of deferred income tax assets does not meet the more-likely-than-not criterion for recognition, a valuation allowance is provided.

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 ¹ (b)	Ancillary and logistical service expenses ² (c)		Total revenues under the new standard (a)+(b)+(c)=(d)
Quarter ended:						
December 31, 2017	\$	178,785	\$	98,895	\$	291,750
September 30, 2017		141,047		72,476		227,401
June 30, 2017		166,186		71,726		252,613
March 31, 2017		124,499		63,401		199,427
Full year 2017	\$	610,517	\$	306,498	\$	971,191

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 ² (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	\$	79,013	\$	54,176	\$	133,189

(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 year ended December 31, 2017 and the Quarterly Report on Form 10-Q for the period ended March 31, 2018, June 30, 2018, and September 30, 2018.

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.

Future changes in accounting policies – recent accounting standards not yet adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (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 will adopt the standard effective January 1, 2019, and utilize the optional transition approach, which permits us to apply the new lease standards at the adoption date and recognize a cumulative -effect adjustment to the opening balance of retained earnings in the period of adoption.

We are finalizing our assessment of the potential impact of the standard and we expect a significant increase in total liabilities with an offsetting increase to the right-of-use asset relating to operating leases. We do not believe the standard will materially affect our consolidated net earnings. We do not expect the standard to impact on our debt-covenant compliance under our current agreements.

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 (*).

As previously disclosed, effective January 1, 2018, we adopted Topic 606, under which revenue from inventory sales and ancillary and logistical services are presented gross of the related expenses rather than net. In conjunction with such adoption of Topic 606, we introduced agency proceeds as a supplemental, non-GAAP measure in addition to total revenues, as we felt this would be helpful to investors in better understanding the sometimes-volatile nature of our revenues given that the portion of our revenues derived from inventory, as opposed to consignments, can fluctuate considerably. Further, agency proceeds was introduced to provide supplementary information to our investors and analysts consistent with what management uses to assess the performance of our business and was never intended to substitute the Company’s revenue, which is calculated in accordance with US GAAP. The Company believed it was important to present agency proceeds to help readers understand the relationship of revenues with the cost of the assets sold under inventory contracts and ancillary and logistical service expenses.

Notwithstanding the foregoing, following receipt of a recent comment letter from, and subsequent communications with, the Division of Corporation Finance of the Securities and Exchange Commission (the “SEC”), the SEC has requested that we discontinue use of such agency proceeds measure. As such, while we have made continued use of agency proceeds in this Annual Report on Form 10-K as part of an agreed transition period, beginning in the first quarter of 2019 our future earnings releases will no longer disclose agency proceeds.

Agency Proceeds*, Adjusted Operating Income*, and Agency Proceeds Adjusted Operating Income Rate* Reconciliation

Our income statement scorecard includes the performance metric, agency proceeds*, and agency proceeds adjusted operating income rate*. Agency proceeds* is also an element of the performance criteria for certain annual short-term incentive awards we grant to our employees and officers. We believe that comparing these 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 agency proceeds*, adjusted operating income*, and agency proceeds adjusted operating income rate* to total revenues, operating income, and operating income margin, which are the most directly comparable GAAP measures in, or calculated from, our consolidated income statements:

(in U.S. \$000's)	Year ended December 31,			% Change	
	2018	2017	2016	2018 over 2017	2017 over 2016
Operating income	\$ 185,189	\$ 107,454	\$ 135,722	72%	(21%)
Pre-tax adjusting item:					
Accelerated vesting of assumed options	-	4,752	-	(100%)	100%
Acquisition and finance structure advisory	-	9,063	-	(100%)	100%
Severance and retention	1,501	3,613	-	(58%)	100%
Impairment loss	-	8,911	28,243	(100%)	(68%)
Adjusted operating income (non-GAAP measure)	186,690	133,793	163,965	40%	(18%)
Total revenues	1,170,026	971,191	1,126,977	20%	(14%)
Less: cost of inventory sold	(374,339)	(306,498)	(513,348)	22%	(40%)
Less: ancillary and logistical service	(66,576)	(54,176)	(47,234)	23%	15%
Agency proceeds (non-GAAP measure)	\$ 729,111	\$ 610,517	\$ 566,395	19%	8%
Operating income margin	15.8%	11.1%	12.0%	470 bps	-90 bps
Agency proceeds adjusted operating income rate (non-GAAP measure)	25.6%	21.9%	28.9%	370 bps	-700 bps

(1) Please refer to page 60 for a summary of adjusting items for the years ended December 31, 2018, 2017, and 2016.

(2) Adjusted operating income* is calculated by eliminating adjusting items from operating income.

(3) Agency proceeds* is calculated by subtracting the cost of inventory sold and ancillary and logistical service expenses from total revenues.

(4) Agency proceeds adjusted operating income rate* is calculated by dividing adjusted operating income* by agency proceeds*.

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, 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'.

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)	Year ended December 31,			% Change	
	2018	2017	2016	2018 over 2017	2017 over 2016
Net income attributable to stockholders	\$ 121,479	\$ 75,027	\$ 91,832	62%	(18%)
Pre-tax adjusting items:					
Accelerated vesting of assumed options	-	4,752	-	(100%)	100%
Acquisition and finance structure advisory	-	9,063	-	(100%)	100%
Severance and retention	1,501	3,613	-	(58%)	100%
Gain on sale of equity accounted for investment	(4,935)	-	-	100%	0%
Impairment loss	-	8,911	28,243	(100%)	(68%)
Debt extinguishment costs	-	-	6,787	-	(100%)
Current income tax effect of adjusting items:					
Acquisition and finance structure advisory	-	(2,447)	-	(100%)	100%
Severance and retention	(376)	(748)	-	(50%)	100%
Debt extinguishment costs	-	-	(1,787)	-	(100%)
Deferred income tax effect of adjusting items:					
Impairment loss	-	(2,361)	(1,798)	(100%)	31%
Severance and retention	-	(368)	-	(100%)	100%
Current income tax adjusting item:					
Change in uncertain tax provision	-	2,290	-	(100%)	100%
Deferred tax adjusting item:					
Remeasurement of deferred taxes	-	(10,070)	-	(100%)	100%
Adjusted net income attributable to stockholders (non-GAAP measure)	\$ 117,669	\$ 87,662	\$ 123,277	34%	(29%)
Effect of dilutive securities	\$ -	\$ (152)	\$ -	(100%)	100%
Weighted average number of dilutive shares outstanding	109,388,236	108,113,151	107,457,794	1%	1%
Diluted earnings per share attributable to	\$ 1.11	\$ 0.69	\$ 0.85	60%	(19%)
Diluted adjusted EPS attributable to stockholders (non-GAAP measure)	\$ 1.08	\$ 0.81	\$ 1.15	33%	(29%)

(1) Please refer to page 60 for a summary of adjusting items for the years ended December 31, 2018, 2017, and 2016.

(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* and Agency Proceeds Adjusted EBITDA Rate* Reconciliation

We believe adjusted EBITDA*, and agency proceeds adjusted EBITDA rate* provide useful information about the growth or decline of our net income when compared between different financial periods.

The following table reconciles adjusted EBITDA* and agency proceeds adjusted EBITDA rate* to net income and net income margin, which are the most directly comparable GAAP measures in, or calculated from, our consolidated income statements:

(in U.S. \$000's)	Year ended December 31,			% Change	
	2018	2017	2016	2018 over 2017	2017 over 2016
Net income	\$ 121,506	\$ 75,306	\$ 93,512	61%	(19%)
Add: depreciation and amortization expenses	66,614	52,694	40,861	26%	29%
Add: interest expense	44,527	38,291	5,564	16%	588%
Less: interest income	(2,888)	(3,194)	(1,863)	(10%)	71%
Add: income tax expense	31,006	2,088	36,982	1385%	(94%)
Pre-tax adjusting items:					
Accelerated vesting of assumed options	-	4,752	-	(100%)	100%
Acquisition and finance structure advisory	-	9,063	-	(100%)	100%
Severance and retention	1,501	3,613	-	(58%)	100%
Gain on sale of equity accounted for investment	(4,935)	-	-	100%	0%
Impairment loss	-	8,911	28,243	(100%)	(68%)
Debt extinguishment costs	-	-	6,787	0%	(100%)
Adjusted EBITDA (non-GAAP measure)	257,331	191,524	210,086	34%	(9%)
Total revenues	1,170,026	971,191	1,126,977	20%	(14%)
Less: cost of inventory sold	(374,339)	(306,498)	(513,348)	22%	(40%)
Less: ancillary and logistical service expenses	(66,576)	(54,176)	(47,234)	23%	15%
Agency proceeds (non-GAAP measure)	\$ 729,111	\$ 610,517	\$ 566,395	19%	8%
Net income margin	10.4%	7.8%	8.3%	260 bps	-50 bps
Agency proceeds adjusted EBITDA rate (non-GAAP measure)	35.3%	31.4%	37.1%	390 bps	-570 bps

(1) Please refer to page 60 for a summary of adjusting items for the years ended December 31, 2018, 2017, and 2016.

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

(3) Agency proceeds* is calculated by subtracting the cost of inventory sold and ancillary and logistical service expenses from total revenues.

(4) Agency proceeds adjusted EBITDA rate* presents adjusted EBITDA* as a multiple of agency proceeds*.

Adjusted EBITDA* 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 discussed further below under "Liquidity and Capital Resources".

The following table reconciles adjusted EBITDA* and adjusted net debt/adjusted EBITDA* to debt, cash and cash equivalents, net income, and debt as a multiple of net income, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements.

(in U.S. \$ millions)	Year ended December 31,					
				% Change		
	2018	2017	2016	2018 over 2017	2017 over 2016	
Short-term debt	\$ 19.9	\$ 7.0	\$ 23.9	184%	-71%	
Long-term debt	711.3	812.9	595.7	-12%	36%	
Debt	731.2	819.9	619.6	-11%	32%	
Less: cash and cash equivalents	(237.7)	(267.9)	(207.9)	-11%	29%	
Adjusted net debt (non-GAAP measure)	493.5	552.0	411.7	-11%	34%	
Net income	\$ 121.5	\$ 75.3	\$ 93.5	61%	-19%	
Add: depreciation and amortization expenses	66.6	52.7	40.9	26%	29%	
Add: interest expense	44.5	38.3	5.6	16%	584%	
Less: interest income	(2.9)	(3.2)	(1.9)	-9%	68%	
Add: income tax expense	31.0	2.1	36.9	1376%	-94%	
Pre-tax adjusting items:						
Accelerated vesting of assumed options	-	4.8	-	-100%	100%	
Acquisition and finance structure advisory	-	9.1	-	-100%	100%	
Severance and retention	1.5	3.6	-	-58%	100%	
Gain on sale of equity accounted for investment	(4.9)	-	-	100%	-	
Impairment loss	-	8.9	28.2	-100%	-68%	
Debt extinguishment costs	-	-	6.8	-	-100%	
Adjusted EBITDA (non-GAAP measure)	\$ 257.3	\$ 191.5	\$ 210.1	34%	-9%	
Debt/net income	6x	10.9x	6.6x	-46%	65%	
Adjusted net debt/adjusted EBITDA (non-GAAP measure)	1.9x	2.9x	2x	-34%	825%	

(1) Please refer to page 60 for a summary of adjusting items for the years ended December 31, 2018, 2017, and 2016.

(2) Adjusted EBITDA* is calculated by adding back depreciation and amortization expenses, interest expense, and current income tax expense, and subtracting interest income and deferred income tax recovery 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*.

A&M Agency Proceeds*, and A&M Agency Proceeds Rate* Reconciliation

We believe A&M agency proceeds* and A&M agency proceeds rate* provide useful information about the performance of our operations by comparing the margins we earn on our contracts for different financial periods. We believe A&M segment total revenues are best understood by considering their relationship to GTV. The metric we use to measure this performance is A&M revenue rate.

The following table reconciles A&M agency proceeds* and A&M agency proceeds rate* results to A&M total revenues and A&M revenue rate, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements:

(in U.S. \$000's)	Year ended December 31,			% Change	
	2018	2017	2016	2018 over 2017	2017 over 2016
A&M total revenues	\$ 1,046,518	\$ 870,797	\$ 1,045,174	20%	(17%)
Less: cost of inventory sold	(374,339)	(306,498)	(513,348)	22%	(40%)
A&M agency proceeds (non-GAAP measure)	672,179	564,299	531,826	19%	6%
GTV	\$ 4,964,165	\$ 4,467,982	\$ 4,334,815	11%	3%
A&M revenue rate	21.1%	19.5%	24.1%	160 bps	-460 bps
A&M agency proceeds rate (non-GAAP measure)	13.5%	12.6%	12.3%	90 bps	30 bps

(1) A&M revenue rate is calculated as A&M total revenues divided by GTV.

(2) A&M agency proceeds rate* provides useful information about the performance of our operations by comparing the margins we earn on our contracts for different financial periods. A&M agency proceeds rate* is calculated by dividing A&M agency proceeds* by GTV.

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 incentive awards we grant to certain executives.

The following table reconciles OFCF* to cash provided by operating activities and net capital spending, which are the most directly comparable GAAP measures in, or calculated from, our consolidated statements of cash flows:

(in U.S. \$ millions)	Year ended December 31,			% Change	
	2018	2017	2016	2018 over 2017	2017 over 2016
Cash provided by operating activities	\$ 144.3	\$ 147.6	\$ 177.6	(2%)	(17%)
Property, plant and equipment additions	16.9	10.8	18.9	56%	(43%)
Intangible asset additions	26.1	28.6	17.6	(9%)	63%
Proceeds on disposition of property plant and equipment	(10.6)	(5.0)	(6.7)	112%	(25%)
Net capital spending	\$ 32.4	\$ 34.4	\$ 29.8	(6%)	15%
OFCF (non-GAAP measure)	\$ 111.9	\$ 113.2	\$ 147.8	(1%)	(23%)

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

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. 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)	Year ended December 31,				
				% Change	
	2018	2017	2016	2018 over 2017	2017 over 2016
Dividends paid to stockholders	\$ 75.7	\$ 72.8	\$ 70.5	4%	3%
Net income attributable to stockholders	\$ 121.5	\$ 75.0	\$ 91.8	62%	(18%)
Pre-tax adjusting items:					
Accelerated vesting of assumed options	-	4.8	-	(100%)	100%
Acquisition and finance structure advisory	-	9.1	-	(100%)	100%
Severance and retention	1.5	3.6	-	(58%)	100%
Impairment loss	-	8.9	28.2	(100%)	(68%)
Debt extinguishment costs	-	-	6.8	-	(100%)
Gain on sale of equity accounted for investment	(4.9)	-	-	0%	-
Current income tax effect of adjusting items:					
Acquisition and finance structure advisory	-	(2.4)	-	100%	100%
Severance and retention	(0.4)	(0.7)	-	(43%)	100%
Debt extinguishment costs	-	-	(1.8)	-	(100%)
Deferred income tax effect of adjusting items:					
Severance and retention	-	(0.4)	-	100%	100%
Impairment loss	-	(2.4)	(1.8)	100%	33%
Current income tax adjusting item:					
Change in uncertain tax provision	-	2.3	-	(100%)	100%
Deferred tax adjusting item:					
Remeasurement of deferred taxes	-	(10.1)	-	100%	100%
Adjusted net income attributable to stockholders (non-GAAP measure)	\$ 117.7	\$ 87.7	\$ 123.3	34%	(29%)
Dividend payout ratio	62.3%	97.1%	76.8%	-3480 bps	2030 bps
Adjusted dividend payout ratio (non-GAAP measure)	64.3%	83.0%	57.2%	-1870 bps	2580 bps

(1) Please refer to page 60 for a summary of adjusting items for the years ended December 31, 2018, 2017, and 2016.

(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, long-term debt, stockholders' equity, 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)	Year ended December 31,				
	2018	2017	2016	% Change	
				2018 over 2017	2017 over 2016
Net income attributable to stockholders	\$ 121.5	\$ 75.0	\$ 91.8	62%	(18%)
Pre-tax adjusting items:					
Accelerated vesting of assumed options	-	4.8	-	(100%)	100%
Acquisition and finance structure advisory	-	9.1	-	(100%)	100%
Severance and retention	1.5	3.6	-	(58%)	100%
Impairment loss	-	8.9	28.2	(100%)	(68%)
Debt extinguishment costs	-	-	6.8	-	(100%)
Gain on sale of equity accounted for investment	(4.9)	-	-	100%	-
Current income tax effect of adjusting items:					
Acquisition and finance structure advisory	-	(2.4)	-	(100%)	100%
Severance and retention	(0.4)	(0.7)	-	(43%)	100%
Debt extinguishment costs	-	-	(1.8)	-	(100%)
Deferred income tax effect of adjusting items:					
Severance and retention	-	(0.4)	-	(100%)	100%
Impairment loss	-	(2.4)	(1.8)	(100%)	33%
Current income tax adjusting item:					
Change in uncertain tax provision	-	2.3	-	(100%)	100%
Deferred tax adjusting item:					
Remeasurement of deferred taxes	-	(10.1)	-	(100%)	100%
Adjusted net income attributable to stockholders (non-GAAP measure)	\$ 117.7	\$ 87.7	\$ 123.3	34%	(29%)
Opening long-term debt	\$ 812.9	\$ 595.7	\$ 97.9	36%	508%
Ending long-term debt	711.3	812.9	595.7	(12%)	36%
Average long-term debt	\$ 762.1	\$ 704.3	\$ 346.8	8%	103%
Opening stockholders' equity	\$ 739.7	\$ 687.1	\$ 703.2	8%	(2%)
Ending stockholders' equity	830.6	739.7	687.1	12%	8%
Average stockholders' equity	785.2	713.4	695.2	10%	3%
Average invested capital	\$ 1,547.3	\$ 1,417.7	\$ 1,042.0	9%	36%
Return on average invested capital	7.9%	5.3%	8.8%	260 bps	-350 bps
ROIC (non-GAAP measure)	7.6%	6.2%	11.8%	140 bps	-560 bps

(1) Please refer to page 60 for a summary of adjusting items for the years ended December 31, 2018, 2017, and 2016.

(2) ROIC* is calculated as adjusted net income attributable to stockholders* (non-GAAP measure) 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) Return on average invested capital is calculated as adjusted net income attributable to stockholders* divided by adjusted average invested capital*.

Adjusting items for the year ended December 31, 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 Acquisition; and
- \$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.

Adjusting items for the year ended December 31, 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 Acquisition; and
- \$10.1 million (or \$0.10 per diluted share) benefit on remeasurement of deferred taxes due to the Tax Cuts and Jobs Act.
- \$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; and
- \$8.9 million (\$6.6 million after tax, or \$0.06 per diluted share) impairment loss recognized on various technology assets.
- \$2.3 million (\$2.3 million after tax, or \$0.02 per diluted share) charge related to the change in uncertain tax provisions.

Adjusting items for the year ended December 31, 2016

- \$6.8 million (\$5.0 million after tax, or \$0.05 per diluted share) charge related to the early termination of pre-existing debt
- \$28.2 million (\$26.4 million after tax, or \$0.25 per diluted share) impairment loss on EquipmentOne reporting unit goodwill and customer relationships