

RITCHIE BROS AUCTIONEERS INC

Form 10-K

February 26, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

Commission file number: 001-13425

Ritchie Bros. Auctioneers Incorporated

(Exact Name of Registrant as Specified in its Charter)

Canada

(State or other jurisdiction of incorporation or organization)

N/A

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

9500 Glenlyon Parkway

Burnaby, British Columbia, Canada V5J 0C6

(Address of Principal Executive Offices)

(778) 331-5500

(Registrant's Telephone Number, including Area Code)

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

Title of Each Class	Name of Exchange on Which Registered
Common Shares	New York Stock Exchange

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

None

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference on Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company) Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes " No

At June 30, 2017 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the registrant's common shares held by non-affiliates of the registrant (assuming for these purposes, but without conceding, that all executive officers and Directors are "affiliates" of the registrant) was approximately \$3,074,207,007. The number of common shares of the registrant outstanding as of February 23, 2018, was 107,328,067.

Documents Incorporated by Reference

Certain portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission ("SEC") pursuant to Regulation 14A not later than 120 days after the registrant's fiscal year ended December 31, 2017, in connection with the registrant's 2018 Annual and Special Meeting of Shareholders, are incorporated herein by reference into Part III of this Annual Report on Form 10-K.

RITCHIE BROS. AUCTIONEERS INCORPORATED

FORM 10-K

For the year ended December 31, 2017

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SIGNATURES

Cautionary Note Regarding Forward-Looking Statements

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

- our future strategy, objectives, targets, projections, performance, and key enablers;
- our ability to drive shareholder value;
- market opportunities;
- our internet initiatives and the level of participation in our auctions by internet bidders, and the success of IronPlanet, Marketplace^e, and our other online marketplaces;
- our ability to grow our businesses, acquire new customers, enhance our sector reach, drive geographic depth, and scale our operations;
- the impact of our initiatives, services, investments, and acquisitions on us and our customers;
- the acquisition or disposition of properties;
- our ability to integrate our acquisitions;
- our ability to add new business and information solutions, including, among others, our ability to maximize and integrate technology to enhance our existing services and support additional value-added service offerings;
- the supply trend of equipment in the market and the anticipated price environment for late model equipment, as well as the resulting effect on our business and Gross Transaction Value (“GTV”) (defined under “Part I, Item 1: Business” of this Annual Report on Form 10-K);
- fluctuations in our quarterly revenues and operating performance resulting from the seasonality of our business;
- our compliance with all laws, rules, regulations, and requirements that affect our business;
- effects of various economic, financial, industry, and market conditions or policies, including the supply and demand for property, equipment, or natural resources;
- the behavior of equipment pricing;
- the relative percentage of GTV represented by straight commission or underwritten (guarantee and inventory) contracts, and its impact on revenues and profitability;
- our Revenue Rates (described under “Part II, Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Annual Report on Form 10-K), the sustainability of those rates, and the seasonality of GTV and revenues;
- the projected increase to our fee revenues as a result of the harmonization of our fee structure;
- our future capital expenditures and returns on those expenditures;
- the effect of any currency exchange and interest rate fluctuations on our results of operations;
- the grant and satisfaction of equity awards pursuant to our compensation plans;
- any future declaration and payment of dividends, including the tax treatment of any such dividends;
- financing available to us, our ability to refinance borrowings, and the sufficiency of our working capital to meet our financial needs; and
- our ability to satisfy our present operating requirements and fund future growth through existing working capital and credit facilities.

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Forward-looking statements are typically identified by such words as “aim”, “anticipate”, “believe”, “could”, “continue”, “estimate”, “expect”, “intend”, “may”, “ongoing”, “plan”, “potential”, “predict”, “will”, “should”, “would”, “could”, “likely”, “period to period”, “long-term”, or the negative of these terms, and similar expressions intended to identify forward-looking statements. Our forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict.

While we have not described all potential risks related to our business and owning our common shares, the important factors discussed in “Part I, Item 1A: Risk Factors” of this Annual Report on Form 10-K for the year ended December 31, 2017 are among those that we consider may affect our performance materially or could cause our actual financial and operational results to differ significantly from our expectations. Except as required by applicable securities law and regulations of relevant securities exchanges, we do not intend to update publicly any forward-looking statements, even if our expectations have been affected by new information, future events or other developments. You should consider our forward-looking statements in light of the factors listed or referenced under “Risk Factors” herein and other relevant factors.

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PART I

ITEM 1:

BUSINESS

Company Overview

Ritchie Bros. Auctioneers Incorporated (“Ritchie Bros.”, the “Company”, “we”, or “us”) (NYSE & TSX: RBA) is a world leader in asset management and disposition of used industrial equipment and other durable assets, selling \$4.5 billion of used equipment and other assets during 2017. Our expertise, unprecedented global reach, market insight, and trusted portfolio of brands provide us with a unique position in the used equipment market. We primarily sell used equipment for our customers through live, unreserved auctions at 45 auction sites worldwide, which are simulcast online to reach a global bidding audience. On May 31, 2017, we acquired IronPlanet Holdings, Inc. (“IronPlanet”) for \$776.5 million, a leading online marketplace for heavy equipment and other durable assets. Between its inception in 1999 and 2016, IronPlanet sold over \$5 billion of used heavy equipment online and registered more than 1.5 million users worldwide. These 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. In the past three years, we have also added a private brokerage service (Ritchie Bros. Private Treaty) and an online listing service (Mascus).

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

We operate globally with locations in more than 20 countries, including the United States, Canada, Australia, the United Arab Emirates, and the Netherlands, and employ more than 2,100 full time employees worldwide.

History and development of our business

Ritchie Bros. Auctioneers Incorporated was amalgamated on December 12, 1997 under, and is governed by, the *Canada Business Corporation Act*.

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Ritchie Bros. was founded in 1958 in Kelowna, British Columbia, Canada. We held our first major industrial auction in 1963, selling over \$600,000 worth of construction equipment in Radium, British Columbia. By 1970, we had established operations in the United States and held our first American sale in Beaverton, Oregon. In 1987, we held our first European auctions in Liverpool, the United Kingdom, and Rotterdam, the Netherlands. Our first Australian auction was held in 1990 and was followed by expansion into Asia with subsequent sales in Japan, the Philippines, Hong Kong, Thailand, and Singapore. We held our first Mexican auction in 1995 and our first auction in the Middle East in Dubai, the United Arab Emirates, in 1997.

In March 1998, we completed an initial public offering of our common shares. Our common shares trade on the New York Stock Exchange (“NYSE”) and the Toronto Stock Exchange (“TSX”) under the ticker symbol “RBA”.

In early 2013, we commercially launched our online marketplace, EquipmentOne. We continued to expand our digital capabilities through the following acquisitions over the past five years:

Xcira LLC (“Xcira”) on November 4, 2015 – a proven leader in simulcast auction technology that provides a seamless customer experience for online bidding at live on site auctions

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Mascus International Holding B.V. (“Mascus”) on February 19, 2016 – a global online listing service to advertise equipment and other assets for sale

IronPlanet on May 31, 2017 (the “Acquisition”) – operates online and event-based equipment auctions under a number of brands discussed in more detail below

On 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”) that we entered into on August 29, 2016. As discussed in more detail below, under the Alliance, we became Caterpillar's preferred global partner for live on site and online auctions for used Caterpillar equipment.

During the past five years, we also continued to grow our live on site auction business by acquiring:

The remaining interest in Ritchie Bros. Financial Services (“RBFS”) on July 12, 2016 – provides financing and leasing options to equipment purchasers, as a brokerage business, through several bank relationships (RBFS does not leverage our balance sheet for the loans it originates)

Petrowsky Auctioneers (“Petrowsky”) on August 1, 2016 – a leading regional industrial auctioneer in the Northern United States that offers live on site and simulcast live online auctions

Kramer Auctions Ltd. and Kramer Auctions—Real Estate Division Inc. (together, “Kramer”) on November 15, 2016 – a premier Canadian agricultural auctioneer, offering both on-the-farm and live on site auctions for customers selling equipment, livestock and real-estate in the agricultural sector

Strategy

At the beginning of 2015, we formalized a new strategy that centered around becoming a more diversified, multi-channel company that offered a full range of asset management and disposition solutions, all on a greater scale, that would provide even more choice to customers. In 2017, we took definitive steps towards furthering this strategy by completing the transformational acquisition of IronPlanet, a leading online marketplace for heavy equipment and other durable assets. The acquisition of IronPlanet positions Ritchie Bros. as one of the world’s leading one-stop-shop asset disposition companies. We are transforming our business and the industry through our technology and data, our breadth of solutions, and our people.

We continue to evolve our strategy as we integrate IronPlanet and develop our multi-channel business, focusing on two overarching strategic objectives: (i) grow share of the auction segment and (ii) penetrate the upstream market. The following discussion highlights how we performed against our strategy following the executable pillars of our road map, *Grow*, *Drive*, and *Optimize*.

GROW Revenues and Earnings

We are committed to pursuing growth initiatives that will further enhance our sector reach, drive geographic depth, meet a broader set of customer needs, and add scale to our operations. Over the last several years, we have undertaken a meaningful strategic transformation, through both organic and acquisitive growth initiatives, to broaden our service offering and the value propositions that we provide to different segments of the used asset and equipment market. Notably, the Acquisition with IronPlanet positions us to accelerate this strategy and take positive and meaningful steps towards meeting our strategic objectives.

We are focused on the following initiatives to **deliver growth**:

- Leveraging and scaling our one-stop-shop multi-channel solution set to drive organic market share and incremental penetration with existing customers;
- Scaling multi-channel capabilities, including our IronPlanet Weekly Featured Auction and Marketplace^e, to grow within existing sectors as well as penetrating new sector opportunities;
- Leveraging and expanding multi-channel capabilities internationally; and

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- Driving increased penetration of auction services and, specifically, RBFS.

DRIVE Efficiencies and Effectiveness

We plan to take advantage of opportunities to improve overall effectiveness of our organization. We are committed to driving efficiencies and effectiveness by:

- Improving sales effectiveness and sales productivity through consistent go-to-market processes;
- Leveraging the rich data sets that we have at our disposal to create a unique and differentiated customer experience and **delivering trust and confidence** across our consignor and buyer bases;
- Modernizing legacy systems and working to unify auction platforms to **deliver technology** efficiencies and create network effects for buyers and sellers by comprehensively meeting their needs, ease of use, and our business model;
- Scaling the business and leveraging our expanded set of multi-channel assets to optimize our overall asset utilization and site optimization efforts while **delivering choice** to our customers;
- Achieving acquisition synergies; and
- Targeting operating expense growth lower than revenue growth.

OPTIMIZE our Balance Sheet

Our business model provides us with the ability to generate strong cash flows. Cash flow represents our ability to convert revenue to cash, and provides a meaningful indication of the strength of our business. We will focus not only on profit growth but also further enhancing cash flow, reviewing contract structures and auction site returns to improve the cash flow and asset returns of our Auctions and Marketplaces (“A&M”) segment. During 2016, we also adjusted our capital structure, taking on more debt (through a new syndicated credit facility and issuance of senior unsecured notes) to acquire IronPlanet. We also continued to be prudent with our organic capital expenditures.

The acquisition of IronPlanet is a transformational transaction that will increase both the scale and the scope of our Company. The enhanced scale of our combined business is expected to drive further operating leverage from our unique business model, and provide new opportunities to operate more efficiently by utilizing an increasingly digital service offering.

We are focused on these areas to **deliver optimization of our balance sheet**:

- Increasing cash flows from operating activities;
- Targeting net capital spend at less than 10% of revenue;
- Investing in information technology systems to optimize business processes and reduce costs; and

·Managing debt levels while returning cash via ongoing dividends.

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Service Offerings

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

A&M segment

Channels	Brand Solutions	Description of Offering
Live On Site Auctions		<ul style="list-style-type: none"> n Live unreserved on site with live simulcast online auctions n Event-based sales of used construction and heavy equipment held in the Caterpillar dealer geographies n Event-based sales of used energy equipment
Online Auctions and Marketplaces		<ul style="list-style-type: none"> n Online marketplace for selling and buying used equipment n Online marketplace offering multiple price and timing options
Brokerage Service		<ul style="list-style-type: none"> n Online marketplace for the sale of government and military assets n Online truck and trailer marketplace n Confidential, negotiated sales

Contact options

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

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

We refer to guarantee and inventory contracts as underwritten contracts. In 2017, our underwritten business accounted for approximately 16% of our GTV, compared to 25% in 2016 and 29% in 2015.

Value-added services

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As part of our A&M business, we provide a wide array of value-added services to make the process of buying and selling equipment convenient for our customers. In addition to the other services listed in the table below, we also provide these value-added services to our customers:

- conducting title searches, where registries are commercially available, to ensure equipment is sold free and clear of all liens and encumbrances (if we are not able to deliver clear title, we provide a full refund up to the purchase price to the buyer);
- making equipment available for inspection, testing, and comparison by prospective buyers;
- displaying high-quality, zoomable photographs of equipment on our website;

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- providing free detailed equipment information on our website for most equipment;
- providing access to insurance and powertrain warranty products;
- providing access to transportation companies and customs brokerages through our partner, uSHIP; and
- handling all pre-auction marketing, as well as collection and disbursement of proceeds.

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

Other services

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

Intellectual Property

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

We rely on contractual restrictions and rights to protect certain of our proprietary rights in products and services. Effective protection of our intellectual property can be expensive to maintain and may require litigation. We must protect our intellectual property rights and other proprietary rights in many jurisdictions throughout the world. In addition, we may, from time to time, be subject to intellectual property claims, including allegations of infringement, which can be costly to defend. For a discussion of the risks involved with intellectual property litigation and

enforcement of our intellectual property rights, see the related information in “Part I, Item 1A: Risk Factors” of this Annual Report on Form 10-K.

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Competition

Competition Overview

The global used industrial equipment market is highly fragmented and often fluid between sales channels. We compete for purchasers and sellers of used equipment with other asset management and disposition companies. These companies include non-auction competitors such as equipment manufacturers, distributors and dealers, used equipment brokers, equipment rental companies, and other online marketplaces. We compete based on breadth, brand reputation, security, technology, and global reach of our services, as well as in the variety of contracts and methods and channels of selling equipment. We also compete with private sales – often securing new business from equipment owners who had previously tried selling their equipment privately.

Competitive advantages

Our key strengths provide distinct competitive advantages, and have enabled us to achieve significant and profitable growth over the long term. Our Gross Transaction Value¹ (“GTV”) has grown at a compound annual growth rate of 9.30% over the last 25 years, as illustrated below.

Global platform

Our business is a leader of equipment disposition services, with global reach, including 45 auction sites in more than 20 countries, including the United States, Canada, Australia, the United Arab Emirates, and the Netherlands. Our online bidding technology and Ritchie Bros. website are available in nine and 22 languages, respectively. Our global presence ensures we generate global market pricing for our equipment sellers, as we reach international buyers and equipment demand, helping to deliver strong price realization through our sales channels. This global reach provides us and our selling customers with the ability to transcend local market conditions.

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

Breadth of solutions

We have the unique ability to meet all the buyers' and sellers' specific needs in a one-stop shop manner. The event-driven auction, which has been our core business for over 50 years, is just one solution—albeit a powerful solution—to meet customers' varied needs. By delivering choice, we can work with customers as a trusted advisor to provide them with a tailored suite of equipment disposition solutions and, in the medium and long term, asset management. This is truly a fundamental evolution and transformation in the industry.

While we have a full suite of solutions, most of our auction volumes are generated through three core solutions. First, the unreserved live on site integrated auctions that provide our customers care, custody, and control. This offering is Ritchie Bros. Auctioneers, our primary business. Second, weekly online auctions for sellers looking to manage the disposition of their assets on a more frequent basis and being able to sell from their yard or location without having to move equipment. This offering is the IronPlanet Weekly Featured Auction. Third, our reserve online marketplace that affords sellers with control over price and timing, and with solutions such as Make Offer, Buy Now, and Reserve Price selling formats for buyers. We have recently launched a combined reserved online marketplace bringing together EquipmentOne and IronPlanet's Daily Marketplace. The combined offering is known as Marketplacē.

An industry leader in a highly fragmented market

Based on a review of the construction, transportation and agricultural used equipment markets that we conducted in 2016, we believe the global used equipment market is valued at more than \$300 billion², including an opportunity in the United States of over \$50 billion. The market is highly fragmented and fluid between sales channels; however, we believe our multi-channel brand solutions can meet a broad range of customer preferences and needs. While our business is a global market leader for the sale of used equipment, we currently have only 1.4% of the estimated global used equipment market, based on GTV during 2017. The United States represents a key area for growth with positive industrial tailwinds around infrastructure and construction.

Multi-channel product offering

Our multi-channel brand solutions provide a wide range of options for used industrial equipment, which appeal to a variety of personal preferences for sellers and buyers. We continue to build on our strong brand equity and loyal customer base by providing many value-added services to equipment sellers and buyers, including financing and leasing solutions, appraisal services, insurance services, refurbishment, and logistics services. We continue to look for even more ways to support the equipment industry and serve the various needs of equipment owners.

Diverse sector coverage

Our sales solutions cater to the needs of end users, dealers, and other equipment sellers across a variety of sectors, such as construction, transportation, agriculture, energy, and mining. This diversity of sectors mitigates sector-specific

exposure and enables the sale of equipment with cross-sector applications, regardless of sector-specific cyclicality.

Experienced management team

Our experienced management team continues to capitalize on the strength of our live on site auction offering, while expanding our online offering through multiple acquisitions to better serve our existing customers and to attract new customers. Our executives have served as officers of a number of well-known global public companies, and we have developed a deep understanding of the used equipment market and customer base.

Global used equipment market has been sourced through 1) Manfredi & Associates (2015), 2) ACT Research Co., LLC. (2016). This figure does not include the markets for used Class 1 trucks globally and used Class 2 and 3 trucks and trailers outside of the United States, 3) Company estimates. No third-party research report available or commissioned and 4) U.S. Federal Highway Administration.

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Data and sector intelligence

We transacted hundreds of thousands of assets through our sales channels in 2017 and had more than 694,000 people register to bid as users of www.rbauction.com or www.ironplanet.com in 2017. The volume of transactions and customer interactions have provided us with a unique, proprietary database of information. This database provides us with some of the world's best information to identify market trends and estimate used equipment values.

The Role of Technology

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

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

Buyers will now find it easier to locate inventory across all our websites with our enhanced search capabilities while sellers leverage both our rich data repository as well as our platform solution tools to give them the insights, tools, and solutions to manage their assets in an informed, efficient manner.

Offerings and initiatives

Integrated search capabilities

We are focused on helping buyers find what they are looking for easily and quickly while providing access to the largest equipment inventory across our brands and solutions. Our focus on improving our search capabilities allows us to extend our reach to more customers in a channel agnostic manner.

Marketplace^e

Bringing together EquipmentOne and IronPlanet's Daily Marketplace, we introduced a new sales solution, Marketplace^e, in late 2017. Marketplace^e is a flexible, online marketplace that gives customers the choice of negotiating offers, selling their assets at fixed prices, or setting a reserve (minimum) price. These three selling options

are designed to give sellers more control over the selling price and processing of their assets while still benefiting from our marketing and expansive, global buyer network. Marketplace^e provides choice to buyers who may prefer to buy in different formats based on their individual needs.

Platform solutions

Our unique software solutions allow us to work with sellers as a true business advisor as we provide tools, data, and insights to help our customers make real-time asset disposition decisions and deepen our relationships with our customers.

Auction management systems

We are in the preliminary stages of this initiative of leveraging one holistic platform to drive the live on site auction and online marketplace experience. Today, we have two discrete platforms. Known as project “MARS”, the new platform is a transformative initiative allowing us to simplify our technology footprint, reduce complexity, spur future innovation, and enable the development of customer-facing growth drivers such as more sophisticated personalization, data-driven insights, and real-time data-driven marketing.

RBA mobile app

Providing customers with the ability to search, register, and bid at our live on site auctions around the world using mobile devices. Mobile capabilities provide another opportunity to make our customer experiences easy and flexible so they can conduct business with us seven days a week, 24 hours a day.

Segmented Information

Segmented information is disclosed in the consolidated financial statements and the notes thereto included in footnote 4 to “Part II, Item 8: Financial Statements and Supplementary Data” presented elsewhere in this Annual Report on Form 10-K. Segmented information from prior years has been restated in footnote 4 to reflect the identification of the A&M reporting segment as of September 30, 2017.

Geographical Information

Geographical information about our revenues is disclosed in “Part II, Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations — Geographic Analysis”, which is incorporated into this Item 1 by reference. Our international operations are subject to certain risks, as disclosed in “Part I, Item 1A: Risk Factors” of this Annual Report on Form 10-K.

The distribution of our long-lived assets includes property, plant and equipment according to the country in which they are located, is as follows:

	Canada	Outside of Canada	United States	Europe	Other
Long-lived assets distribution					
December 31, 2017	22 %	78 %	52 %	16 %	10 %
December 31, 2016	21 %	79 %	55 %	14 %	10 %
December 31, 2015	20 %	80 %	55 %	15 %	10 %

Seasonality

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

Governmental Regulations and Environmental Laws

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

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

Imports and exports of equipment. Particularly, there are restrictions in the United States and Europe that may affect the ability of equipment owners to transport certain equipment between specified jurisdictions. Also, engine emission standards in some jurisdictions limit the operation of certain trucks and equipment in those regions.

Development or expansion of auction sites. Such activities depend upon the receipt of required licenses, permits, and other governmental authorizations. We are also subject to various local zoning requirements pertaining to the location of our auction sites, which vary among jurisdictions.

The use, storage, discharge, and disposal of environmentally sensitive materials. Under such laws, an owner or lessee of, or other person involved in, real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances located on or in, or emanating from, such property, as well as related costs of investigation and property damage. These laws often impose liability without regard to whether the owner or lessee or other person knew of, or was responsible for, the presence of such hazardous or toxic substances.

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Worker health and safety, privacy of customer information, and the use, storage, discharge, and disposal of environmentally sensitive materials.

Available Information

The information contained on or accessible through our website is not part of this Annual Report on Form 10-K. We file required reports on Form 10-K, Form 10-Q, Form 8-K, proxy materials and other filings required under the Exchange Act. The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. The SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

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

We maintain a Code of Business Conduct and Ethics for our directors, officers and employees ("Code of Conduct"). A copy of our Code of Conduct may be found on our website in the Corporate Governance section.

Additional information related to Ritchie Bros. is also available on SEDAR at www.sedar.com.

ITEM 1A:

RISK FACTORS

An investment in our common stock involves a high degree of risk. In addition to the other information included in this Annual Report on Form&nb