



# Acquisition of IronPlanet August 24, 2016



# Ritchie Bros. to buy IronPlanet: next logical step of diversification

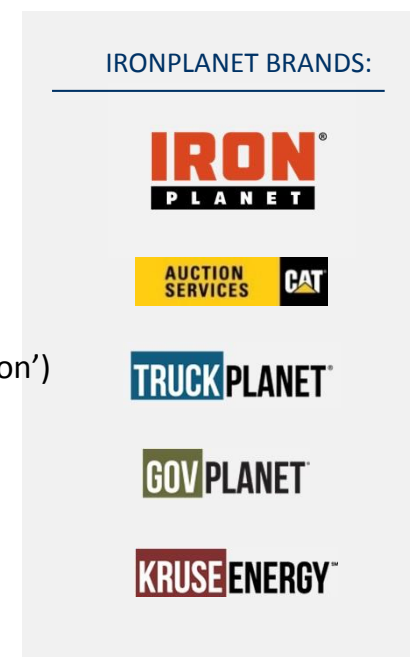
## Strategy enhances customer choice

**IronPlanet® is a trusted online auction/marketplace brand for transacting heavy equipment and other durable assets, with GMV<sup>1</sup> of \$956 TTM<sup>2</sup> (June 30, 2016)**

- Multiple formats, core being weekly unreserved auctions
- Focus on construction sector
- Through their core model, equipment consignors do not have to move equipment
- Have a world-class inspection system ('IronClad® Assurance equipment inspection certification')

## **Complementary brand to RB, makes combination attractive**

- IronPlanet is at an inflection point – growing rapidly, albeit from a smaller base
  - Caterpillar relationship has been a key growth catalyst
- Provides access to a different type of customer
  - Complementary customer bases
  - Buyer base is more tech savvy
  - Recent growth driven by corporate accounts, OEM dealers and OEMs, and new sectors
- Strong, customer friendly technology platform
  - Tracks and enables the entire transaction life cycle
  - Scalable; technology drives the entire process
- Expands penetration into largely untapped sectors, such as Government surplus and Oil & Gas
- Combined company can accelerate international expansion
  - RB scale and infrastructure with IronPlanet's model can appeal to customers in regions such as Germany, Japan and China



(1) Gross Merchandise Value – total value of assets sold through IronPlanet sales channels.

(2) Trailing 12 months June 30, 2016

# Summary of transaction terms

## Ritchie Bros. has entered into an agreement to acquire 100% of IronPlanet

CONSIDERATION	<ul style="list-style-type: none"> <li>• ~US\$758.5 million cash transaction<sup>1</sup></li> <li>• 13.0X multiple of 2017E EBITDA<sup>2</sup></li> </ul>
EXPECTED FINANCIAL BENEFITS	<ul style="list-style-type: none"> <li>• The transaction is expected to be earnings accretive within the first year<sup>3</sup></li> <li>• Annual cost synergies of ~\$20 million, expected to be achieved by 2018</li> <li>• NPV of tax synergies of ~\$100 million</li> <li>• Similar operating leverage model as Ritchie Bros.</li> <li>• Similar cash flow characteristics to Ritchie Bros.</li> </ul>
GROWTH IMPLICATIONS	<ul style="list-style-type: none"> <li>• RB's revenue growth target<sup>4</sup> revised upward to high single to low teens (% growth) post transaction</li> <li>• RB's EPS growth target<sup>4</sup> revised upward to low teens to high teens (% growth)</li> </ul>
FINANCING	<ul style="list-style-type: none"> <li>• Fully committed financing in place</li> <li>• Expect to replace committed facility with mix of pre-payable debt and long-term debt</li> <li>• Utilizes strength of Ritchie Bros. balance sheet</li> <li>• After final financing in place, expect &lt;3.0x net to adjusted EBITDA ratio on closing (with a target of returning to 2.5x)</li> </ul>
CLOSING	<ul style="list-style-type: none"> <li>• Expect closing during or before H1 2017</li> </ul>

(1) Consists of US\$740 million in cash plus approximately \$18.5 million in assumed investment equity interest subject to standard closing adjustments

(2) Inclusive of \$100 million NPV of tax synergies and \$20 million in run-rate cost synergies. Based on current tax environment

(3) Transaction is expected to be accretive to earnings within the first year, excluding acquisition related costs

(4) Growth implications is part of our new evergreen model post transaction; does not represent annual guidance. Provided to help with modeling an average annual basis over a 5 to 7 year period

Transaction is subject to customary closing conditions, including regulatory clearances

# IronPlanet brings exciting new opportunities to Ritchie Bros

## About IronPlanet



IronPlanet is the leading online marketplace for used heavy equipment.

US\$787 million of GMV<sup>1</sup> (GAP) in 2015

- 25.2% CAGR from 2013 – 2015
- Most growth occurred in the last year
- Strong growth trajectory

Strong collaborative relationship with Caterpillar and equipment dealerships in the Caterpillar network

Holds the U.S. Department of Defense rolling stock surplus contract (DLA contract)

490+ employees worldwide

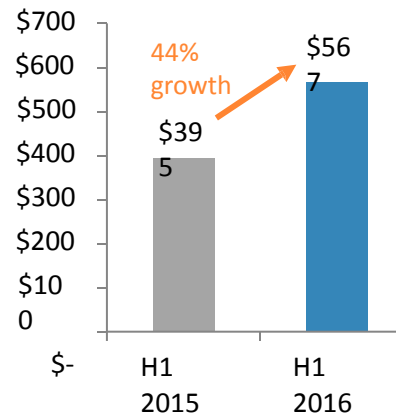
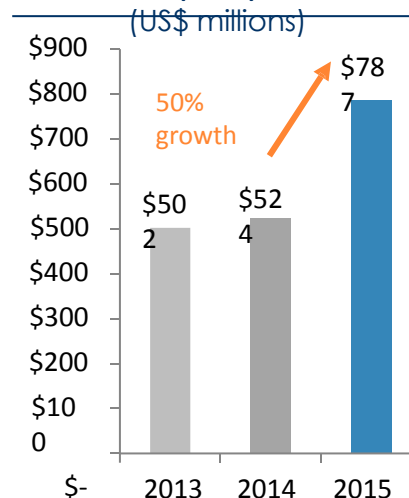
- Majority are based in the United States
- ~10% are based in countries other than US

Private company

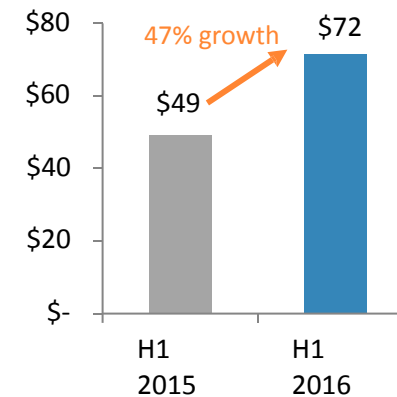
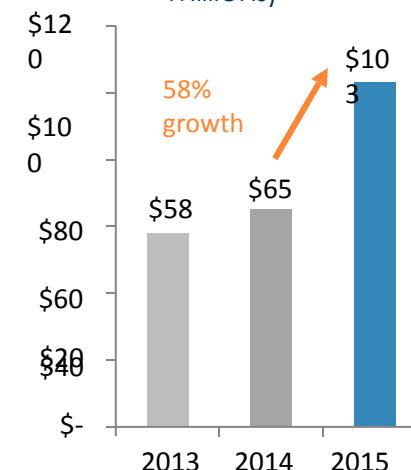
- Current owners include Caterpillar Inc., Caterpillar dealers, Volvo, venture cap (Kleiner Perkins and Accel Partners) and IP executives & employees

Strong growth in 2015 and H1 2016, generated by strategy to focus on major accounts, Caterpillar dealers and government contracts

**GROSS MERCHANDISE VALUE (GMV)**



**REVENUE (US\$ millions)**



(1) GAP/GMV represents the total proceeds from all items sold at auctions and online marketplaces. It is a measure of operational performance and not a measure of financial performance, liquidity, or revenue. It is not presented in our consolidated financial statements.

# IP has built a platform for growth based on different value propositions

Multiple formats provide customers with options that meet their specific needs/wants



Customers that use multiple formats tend to consign more

SUMMARY OF IRONPLANET OFFERINGS:		VALUE PROPOSITION & OPPORTUNITY:
Featured Marketplace	<ul style="list-style-type: none"> <li>Scheduled public online unreserved auctions <u>held weekly</u></li> </ul>	More frequent auctions meet the needs of urgent sales. Improves the flow of business
One-Owner Marketplace	<ul style="list-style-type: none"> <li>Similar to "Featured Marketplace" but targets single-owner, <u>single-event sales</u></li> </ul>	White labeled sales solutions to promote the brand and reputation of the selling customer
Daily Marketplace	<ul style="list-style-type: none"> <li>Equipment pieces listed for sale, with a reserve price, on the website for a <u>defined period of time</u></li> </ul>	Reserve model meeting the needs of equipment sellers with minimum pricing restrictions
Private Marketplace	<ul style="list-style-type: none"> <li>Available for large industrial, rental companies and OEM equipment sellers who want to offer equipment assets to a <u>select group</u> of potential buyers</li> </ul>	Private labeled sales solution to meet the ongoing needs of a single seller to the sale to a pre-defined group of buyers. (Ensures preferred access to the approved customer base, such as dealers within a brand family) the option of keeping
Sellers	<ul style="list-style-type: none"> <li>Includes equipment pricing &amp; market evaluation, listing services, inspection services, and more</li> </ul>	Full service sales offering that provides the seller with equipment where it is. IronClad guarantees and detailed inspection reports provide comfort to online buyers who have not inspected the equipment
Buyers		

HISTORY						
1999:	2013	July 2014	November 2014:	April 2015:	2016:	
Founded as Federal Sales Corp.	Acquired Asset Appraisal Services (AAS), an inspection, appraisal and online auction service company	Awarded contract for U.S. Department of Defense rolling contract	Acquired Kruse Energy and Equipment Auctioneers, a leader in oilfield equipment auctions	Merged with Cat Auction Services, an alliance of Caterpillar and independent Cat dealers	Agrees to be acquired by Ritchie Bros.	





# Combining RB and IronPlanet is transformative for our business

## Compelling strategic rationale

- |   |   |  |
|---|---|--|
| 1 | Offers a superior customer experience               | <ul style="list-style-type: none"> <li>a) Multiple sales channels for used equipment sellers and buyers</li> <li>b) More diversified, multichannel, multi-format live and digital sales ecosystem</li> <li>c) Equipment buyers and sellers will be able to transact and list when, where and how they want</li> </ul>  |
| 2 | Accelerates Growth                                  | <ul style="list-style-type: none"> <li>a) Expedites RB's stated growth strategies: important gateways for growth in new sectors, regions and customer segments</li> <li>b) Significantly enhances financial performance, with immediate positive impact to GAP, revenue &amp; earnings</li> <li>c) Logical next step in our transformation – at the right time with a complementary brand</li> </ul>   |
| 3 | Strengthens relationships with OEMs and Dealers     | <ul style="list-style-type: none"> <li>a) New strategic alliance with Caterpillar is transformational for our business</li> <li>b) As a combined business independent Cat dealers will benefit from industry-leading data intelligence and global marketing efforts, alongside established auction and online marketplace sales support</li> <li>c) IronPlanet leadership has developed deep relationships with independent Cat dealers</li> </ul> |
| 4 | Builds on the power of our existing global platform | <ul style="list-style-type: none"> <li>a) IronPlanet sales formats will benefit from RB's established global footprint, scale, marketing prowess and brand awareness to drive incremental growth</li> <li>b) Complementary cultures and talented leadership teams that will continue to drive innovation</li> <li>c) Equally committed to delivering value to our customers</li> </ul>   |
| 5 | Enhances digital and technology capabilities        | <ul style="list-style-type: none"> <li>a) Significantly diversifies and expands RB online capabilities</li> <li>b) Combined data will drive greater transaction volume and build deeper relationships with OEMs and customers</li> <li>c) EquipmentOne and IronPlanet technology platforms are complementary</li> </ul>  |

# 1 | Offering the ultimate customer experience

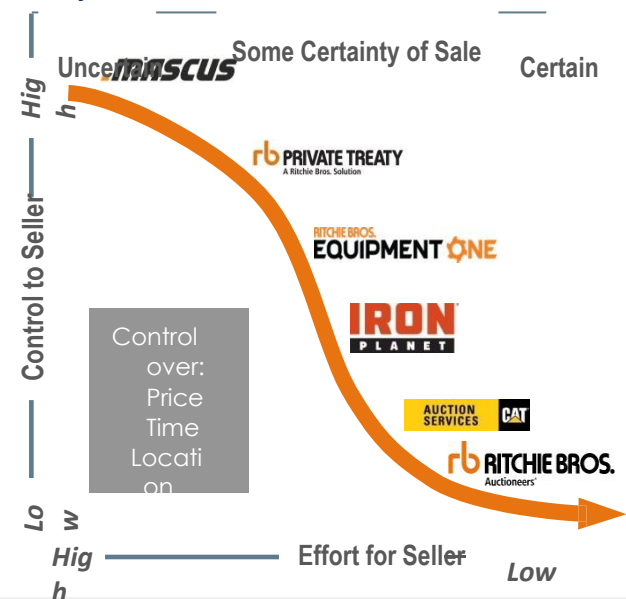
**Ritchie Bros. and IronPlanet have complementary business lines that will address different customer, sector and regional preferences**

- Ability to address market preferences not currently met through existing RB sales platforms
- Provides entry into new customer segments (e.g. Government surplus, private label dealer auctions)

**Combined we will provide used equipment sellers and buyers with multiple options of sales channels**

- Customers will have more options to choose from, with various value propositions, when selling large packages of equipment across our multiple channels

**RESULT: Transacting anyhow, anytime, anywhere**



## STRONGER TOGETHER:

	Ritchie Bros.	IronPlanet	Combined
Core strengths of customer offering	<ul style="list-style-type: none"> <li>• Live on site /online event driven auctions</li> <li>• Established brand equity in Canada, strong foundation in the U.S.</li> <li>• Penetration of construction, Transportation and Agriculture sectors</li> <li>• In-house equipment financing business</li> </ul>	<ul style="list-style-type: none"> <li>• Established online-only sales channels; 24/7 marketplace</li> <li>• Strong growth in the United States</li> <li>• Established relationships with dealer and corporate accounts</li> <li>• Existing contracts with Government agencies</li> </ul>	<ul style="list-style-type: none"> <li>• Multiple sales channel options for used equipment</li> <li>• sellers Increased sector diversification: strong transportation, energy and government business supplementing core focus of construction</li> <li>• Meets the needs of both end-users and dealers</li> <li>• Greater customer access to financing and sales support services</li> </ul>

# Providing unprecedented choice to used equipment sellers & buyers

Together, we will offer customers the widest range of sales solutions and selling formats:

A MULTITUDE OF SALES CHANNEL OPTIONS, MEETING MORE CUSTOMER NEEDS:

								
Live on site and live simulcast online auctions	Event-based sales of used construction and heavy equipment	Online sales of used construction and used trucks and trailers	Online reserve auction and marketplace	Online sales of government surplus rolling stock	Event-based sales of used oil and gas equipment	Online advertising listing service and B2B portals	Confidential, negotiated sales	

OUR FULL-SERVICE OFFERING WILL CATER TO SPECIFIC NEEDS OF EQUIPMENT CONSIGNORS, WITH DIFFERING NEEDS:

Live auction (with online simulcast)	Online-Only Auction	Event-Based Auction	Reserve Price options	Buy Now options	Single Seller options	Private-Label options	Listing service
✓	✓	✓	✓	✓	✓	✓	✓



## 2 | Accelerates growth

**Accelerates stated growth strategies through a greater number of channels, a broader customer base and expanded sales volumes**

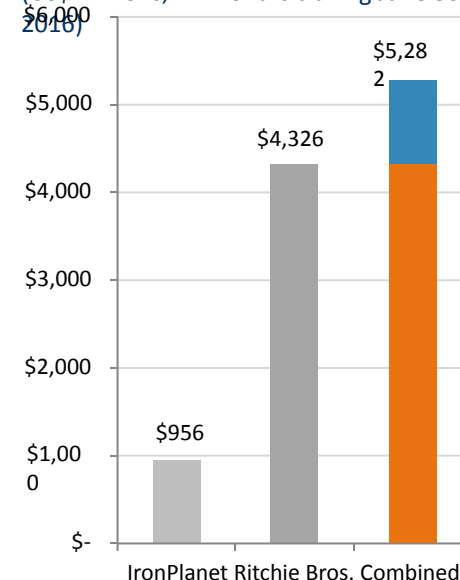
- Auction and marketplace business models benefits from scale and volume; positively affects revenue flow-through
- Expansion of RB Financial Services to IP channel customers
- Combined benefits from established RB tax planning strategies and IP tax loss carry forwards to enhance net income growth

**IronPlanet platform optimizes strategic expansion in key regions and addresses need for scalable web presence**

- IP reserve and online sales channels can be better leveraged through RB's existing strong international presence (Europe, Australia, Asia)
- Provides RB with a proven, scalable digital platform for online auctions & marketplaces

### PRO FORMA TTM GROSS AUCTION PROCEEDS:

(US\$ millions, 12 months trailing June 30,



### STRONGER TOGETHER:

	Ritchie Bros.	IronPlanet	Combined
Revenue growth inputs	<ul style="list-style-type: none"> <li>• Established global network; largest buyer base in the world</li> <li>• Internationally recognized and trusted brand</li> <li>• Mature business with operational scale to drive meaningful revenue flow through</li> <li>• RBFS financing services extended to IP customers</li> </ul>	<ul style="list-style-type: none"> <li>• Complementary business lines that cater to different customer needs</li> <li>• Strong relationship with Cat dealer network</li> <li>• Agreement with Cat corporate for data sharing and future rental fleet sales</li> </ul>	<ul style="list-style-type: none"> <li>• Increased penetration of international markets</li> <li>• Increased sales volumes; enhancing revenue flow-through</li> <li>• Operational efficiencies to drive long-term margin improvement</li> <li>• Tax efficiencies through RB tax planning and IP tax loss carry forwards</li> </ul>

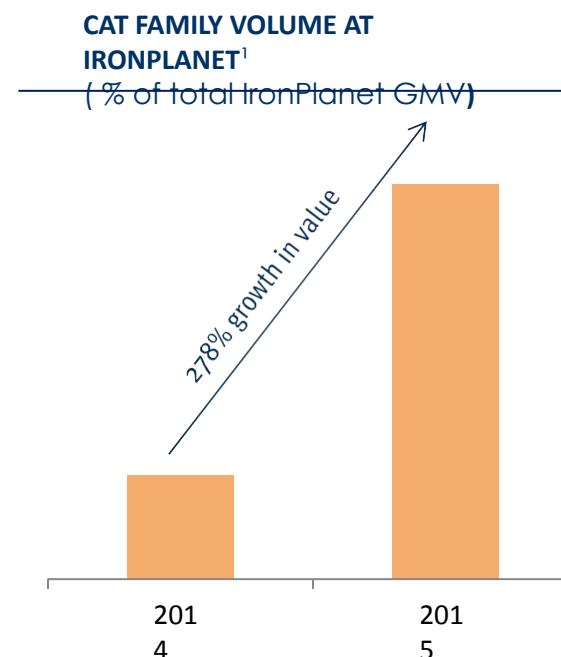
### 3 | Strengthens relationships with OEMs and dealers



**Alliance with Caterpillar will be transformative for our business; Provides RB with a strong foundation to be a trusted partner with the Cat dealer network... building on a strong foundation built by IronPlanet**

#### STRATEGIC ALLIANCE

- Initial 5-year agreement term with Caterpillar Inc. and its wholly owned subsidiaries; focus on long-term evergreen relationship
- Ritchie Bros. becomes their preferred global partner for auction and online marketplace sales services for used equipment upon IP transaction closing
- Caterpillar Inc. and its dealers will be supported through our industry leading data intelligence, sales information and global marketing efforts



- Cat Auction Services will continue to be the brand for auctions on Cat dealer sites

#### STRONGER TOGETHER:

	Ritchie Bros.	IronPlanet	Combined
Benefits to OEMs and Dealers	<ul style="list-style-type: none"> <li>• Largest used equipment buyer base in the world</li> <li>• Global marketing efforts</li> <li>• Larger numbers of buyers and sellers generate global market pricing</li> </ul>	<ul style="list-style-type: none"> <li>• Established, trusted relationship and agreement already in place</li> <li>• Data sharing portals</li> <li>• Dealer-to-dealer auctions</li> </ul>	<ul style="list-style-type: none"> <li>• Reaching the largest buyer base in the world to deliver global market pricing</li> <li>• Ability to work with nearly 4x the amount of market and customer data than IP alone</li> <li>• Leveraging the existing dealer portals already in place (no additional development spend expected)</li> </ul>

(1) Source: estimates provided by IronPlanet. Gross Merchandise Value: total value of assets sold through IronPlanet channels, comparable to Ritchie Bros. Gross Auction Proceeds

# 4 | Builds on the power of our strong global platform

RB's global network can be leveraged to grow IP's sales platforms/formats internationally

**Complementary corporate cultures and leadership teams will continue to drive innovation**

- RB's experience, proven operational and marketing prowess and long- established customer focus combine well with IP's innovation driven, fast- moving, tech-based culture to create a complementary team that can learn from each other

**Equally committed to delivering customer value**

- Different yet complementary core customer bases combine to create a more robust marketplace (RB: end users, IP: dealers/government/corporate accounts)
- Only ~15% of RB GAP was generated from all OEM dealers in 2015

## RITCHIE BROS. GLOBAL

### NETWORK:

Opportunities to increase penetration in certain countries where reserve auction or online options better suit customer preferences



### STRONGER TOGETHER:

	Ritchie Bros.	IronPlanet	Combined
Leveraging our strong core capabilities	<ul style="list-style-type: none"> <li>• Global reach and scale</li> <li>• Strong, established global platform and bidder reach already generating results for customers</li> <li>• Proven marketing and operational prowess</li> <li>• Established brand (strong awareness in Canada)</li> <li>• Strong end-user base</li> </ul>	<ul style="list-style-type: none"> <li>• Solution selling focused on different customer needs</li> <li>• Nimble business and team adapts quickly to pursue market opportunities</li> <li>• Strong technology platform; customer friendly</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to appeal to a broader international customer base with IP online formats and solutions</li> <li>• Opportunities to leverage tech platforms across both companies</li> <li>• Opens new customers to RB channels (e.g. government)</li> </ul>

Source: Internal estimates; based on historical OEM unit sales, estimates of fleet turnover, and average selling prices at RB auctions. Allocation by geography based on sector GDP

## 5 | Enhances technology and digital capabilities

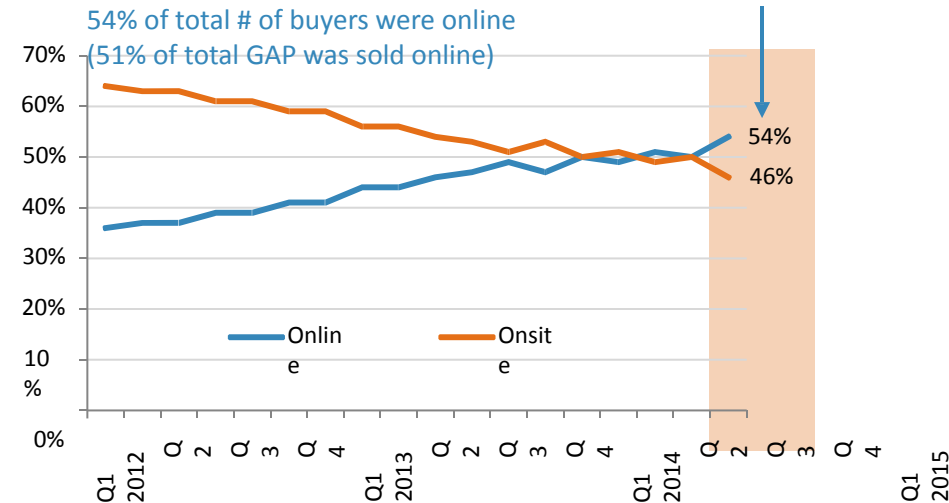
Used equipment transactions increasingly transacted online; IP acquisition will significantly strengthen our online offering

- Diversifies and expands RB's online capabilities
- Combined data will drive greater transaction volume and build deeper relationships with customers

**EquipmentOne and IronPlanet technology platforms are complementary**

- Ability to leverage technology to improve customer experience

**MORE THAN HALF OF RB GAP IS NOW TRANSACTED ONLINE:**



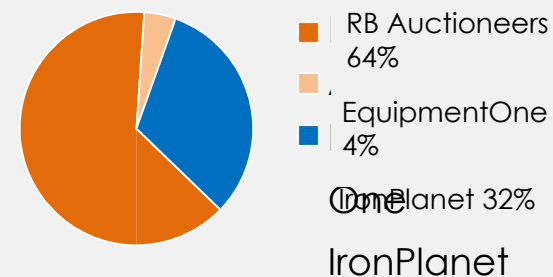
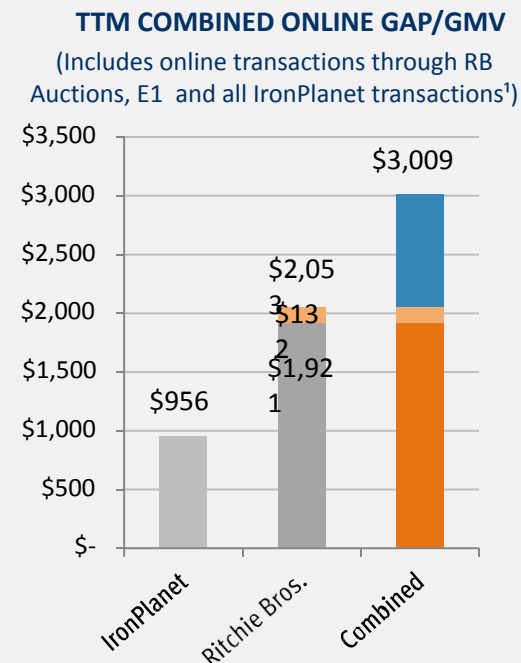
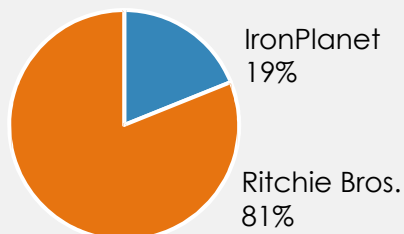
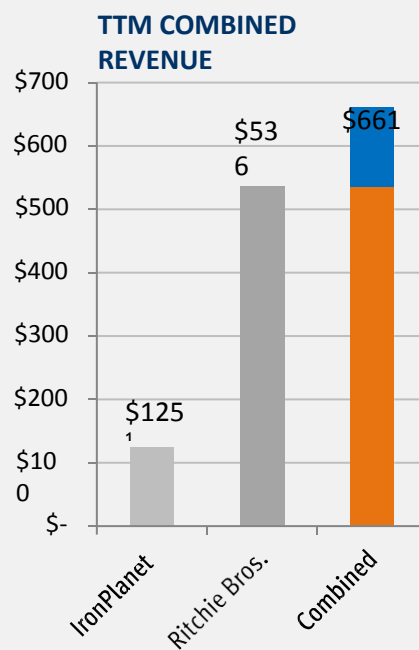
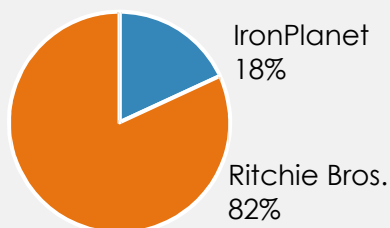
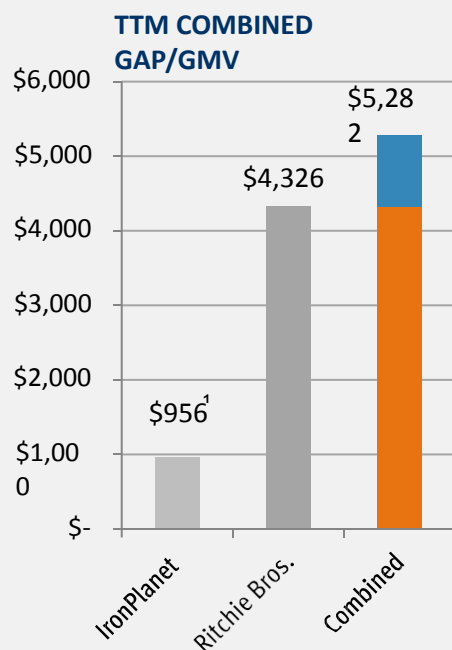
### STRONGER TOGETHER:

	Ritchie Bros.	IronPlanet	Combined
Strong digital capabilities	<ul style="list-style-type: none"> <li>• \$1.9 billion transacted online through RB channels in 2015</li> <li>• Innovator in live online simulcast auctions</li> <li>• Majority owner of Xcira (online simulcast auction technology company)</li> <li>• Mascus and EquipmentOne online auction/marketplace already serve dealer and fleet management needs</li> </ul>	<ul style="list-style-type: none"> <li>• Innovator in online-only auctions</li> <li>• Online database of more than 1.5 mil users with bidder tracking and intelligence functionality</li> <li>• Network of equipment inspectors to spec equipment sold online</li> <li>• Valued IronClad Assurance offering to verify equipment condition</li> <li>• Strong end-to-end digital workflow that tracks sales progress from contract to sale</li> </ul>	<ul style="list-style-type: none"> <li>• On a pro forma basis, more than US\$3 billion of assets transacted through RB's and IP's combined businesses in TTM June 30, 2016. Would place us among the top 50 B2B e-commerce companies<sup>1</sup></li> <li>• 4x the amount of market and customer data available than IP alone</li> <li>• Opportunities to leverage Xcira's technology at Cat Auction Services</li> </ul>

<sup>1</sup> For illustrative purposes, Ritchie Bros. and IronPlanet combined would rank 40<sup>th</sup> worldwide for value of online sales, according to Internet Retailer's B2B e-commerce 300 company rankings

# Snapshot of combined company (US\$ millions, combined TTM<sup>1</sup> June 30, 2016)

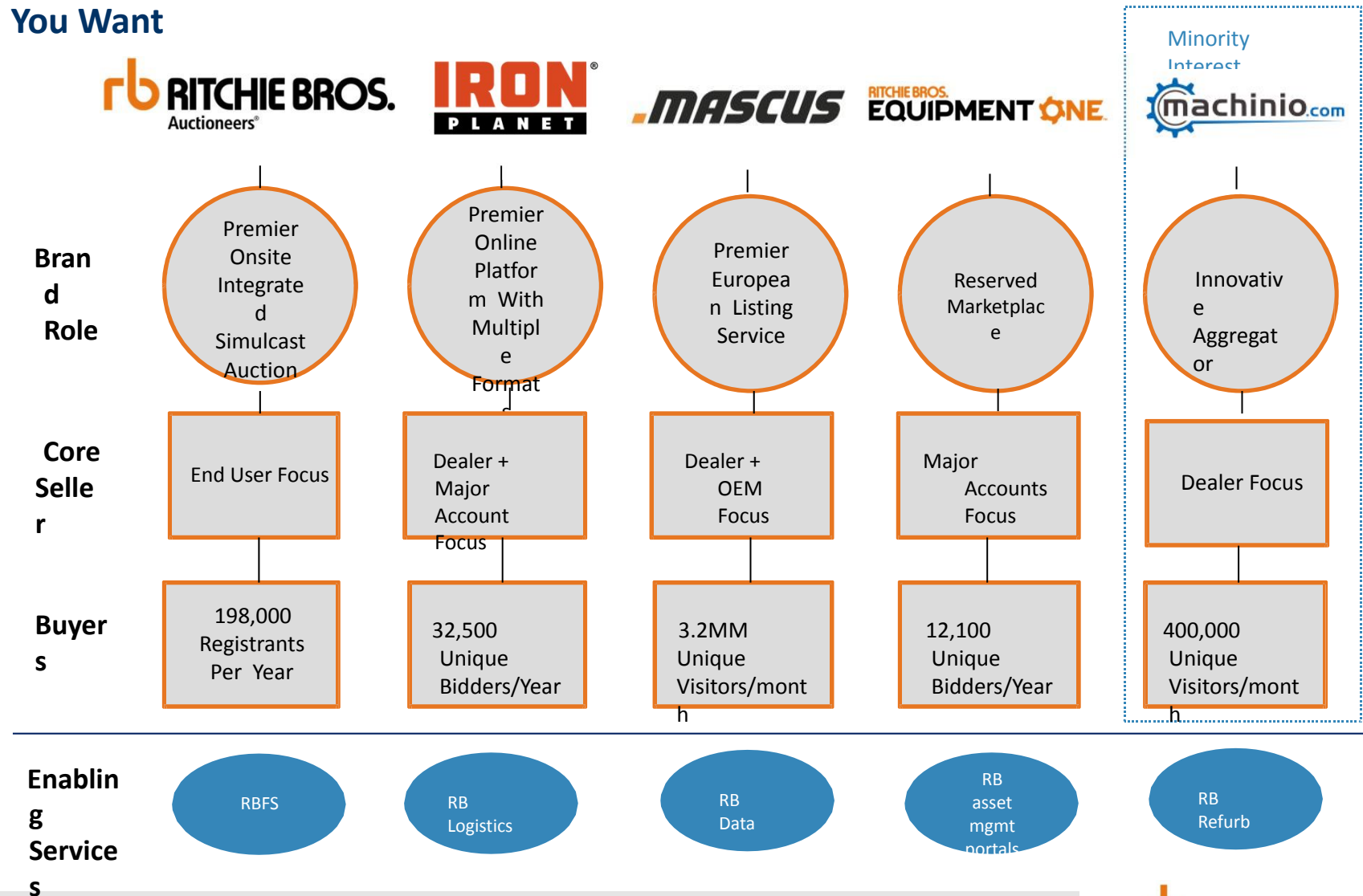
**Combined company will have the scale and platform necessary to support growth**



(1) Trailing 12 months, June 30, 2016. Unaudited numbers, IronPlanet online sales includes Cat Auction Services and Kruse Energy Auctions GMV

# The RB combined company ecosystem of Selling, Buying & Listing solutions

Buy, Sell or List... Where You Want, How You Want, When You Want



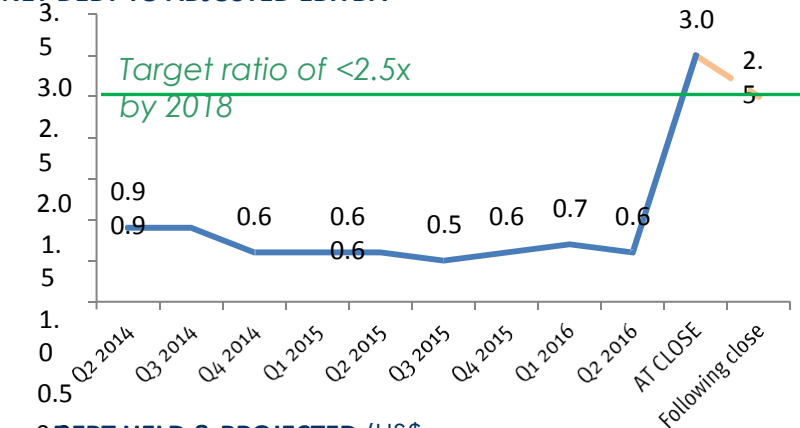


# Financing plan and pro forma capitalization

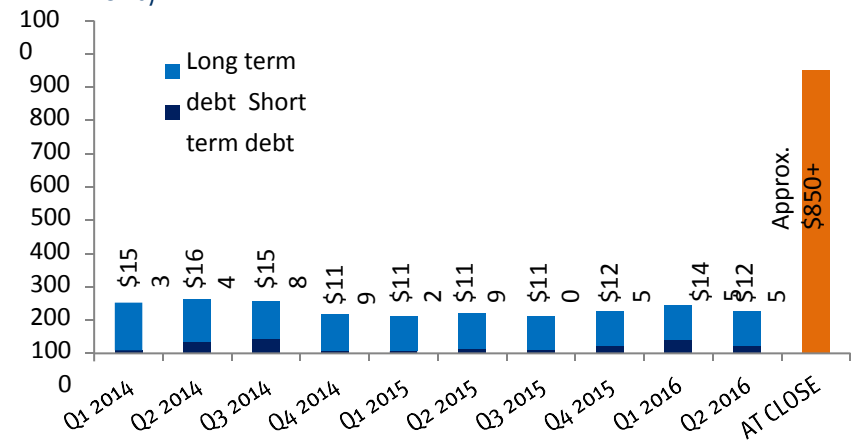
## Sizeable opportunity to deploy under-levered balance sheet to support growth

- RB has secured a financing commitment sufficient to fund the acquisition until permanent capital structure can be put in place
- Permanent structure will consist of short-term and long-term components
  - » We will work with our existing creditors to evaluate our alternatives for our final, permanent capital structure
- We estimate that \$850 million of debt will be outstanding on the closing date of the transaction
  - » The transaction implies net leverage multiple of 3.0x and the potential for rapid de-levering with abundant free cash flows (evergreen target for net debt to adjusted EBITDA remains at 2.5x)
- Effectively uses the balance sheet while allowing for continued financial flexibility
  - » de-levering,
- Additional cash flow to growth opportunities
  - » returning cash to shareholders via dividends, and/or
  - » potential bolt-on acquisitions

(Historical and projected RB, TTM periods)  
**NET DEBT TO ADJUSTED EBITDA**



**DEBT HELD & PROJECTED (US\$ millions)**



# RB's updated evergreen financial model

(post transaction)

Transaction is expected to bolster growth

→ New Evergreen Model (post transaction)  
(Average annual expectation over a 5 to 7 year period)

PERFORMANCE METRICS	Before transaction: Avg. Annual Growth Targets
GAP Growth (%)	High Single Digit to Low Double Digits
Revenue Growth (%) <sup>1</sup>	Mid Single Digit to High Single Digit
Operating expense Growth (%)	Will grow slower than revenues
Operating Income Margin	50 bps+
EPS Growth <sup>2</sup> (%)	High Single Digit to Low Double Digits
Capex Intensity <sup>3</sup>	<10%
OFCF <sup>4</sup> % of Net Income	>100%
ROIC <sup>5</sup> Increase	50 bps+
Dividend Payout Ratio	55% to 60%
Net Debt / Adjusted EBITDA	<2.5x

<sup>1</sup> Includes Pick in and Bolt on Acquisitions

<sup>2</sup> Variances may occur in certain years based on tax rate that is influenced by geographic revenue mix.

<sup>3</sup> Net Capital Spending as % of Revenue.

<sup>4</sup> Operating Free Cash Flow.

<sup>5</sup> Return on Invested Capital.

KEY SHAREHOLDER VALUE DRIVERS	Growth targets
GAP & Revenue growth (%)	High single digit to low teens
EPS growth (%)	Low teens to high teens
OFCF as a % of net income	> 100%
Dividend Payout ratio	55%-60%

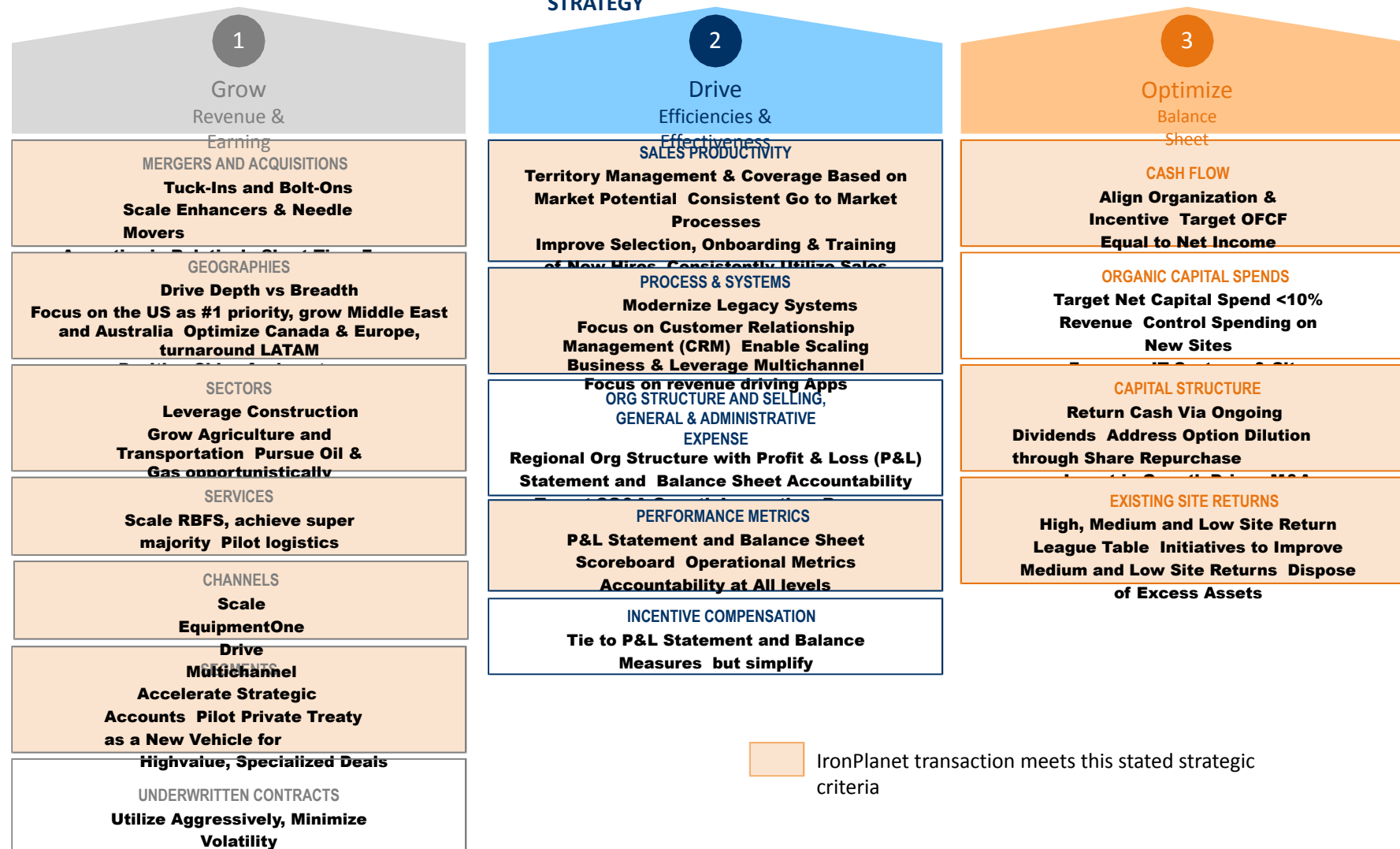
## DRIVERS OF EPS GROWTH

- Operating expenses growing slower than revenue
- Cost synergies
- Tax efficiencies

OTHER KEY METRICS	Targets
Net debt to EBITDA	<2.5 x
Capex Intensity	<8.5%
EBITDA margins of 40%+ by 2018	
ROIC returning to current levels by 2020 (15.1%: Q2 2016 TTM)	

# IronPlanet transaction meets many stated growth strategies

## RITCHIE BROS. LONG-TERM STRATEGY





## Appendi

~~R~~ Revenue by region

Size of used equipment market

Ritchie Bros. family of brand (post transaction)



As of 10 Aug 2010

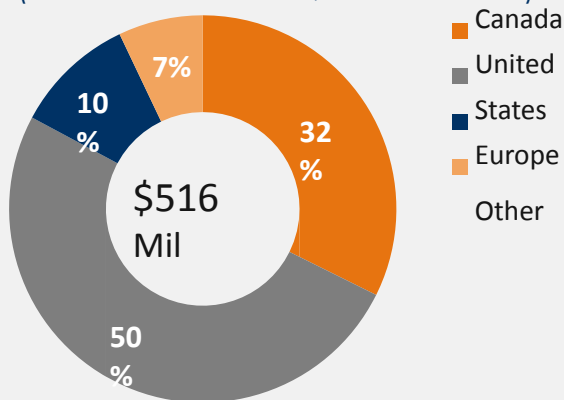
# IP's platform will benefit from RB's established international presence

**Growth potential of IronPlanet sales channels can be bolstered through Ritchie Bros. established global infrastructure**

Ritchie Bros. support services (RBFS, Refurb, Xcira) can benefit from increased sales volume and scale

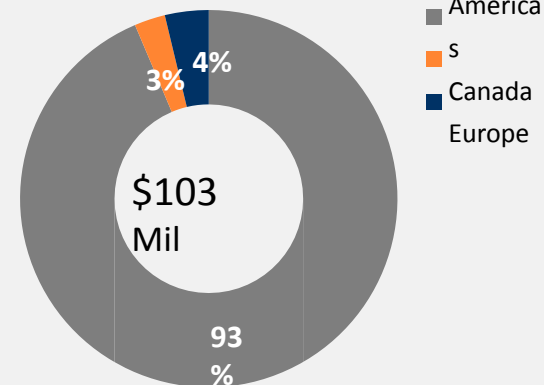
**2015 RITCHIE BROS. REGIONAL BREAKDOWN OF REVENUE**

(Revenue breakdown, % of 2015 total)

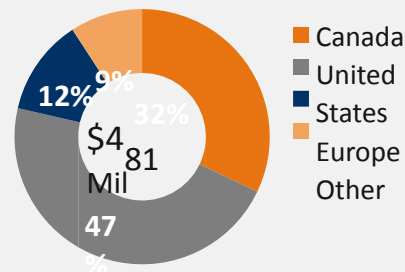


**2015 IRONPLANET REVENUE BREAKDOWN BY REGION**

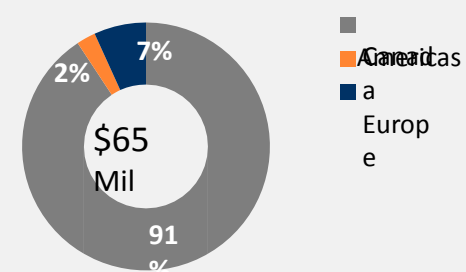
(Revenue breakdown, % of 2015 total)



**2014 RITCHIE BROS. REVENUE BREAKDOWN - % OF 2014 TOTAL**



**2014: IRONPLANET REVENUE BREAKDOWN - % OF 2014 TOTAL**



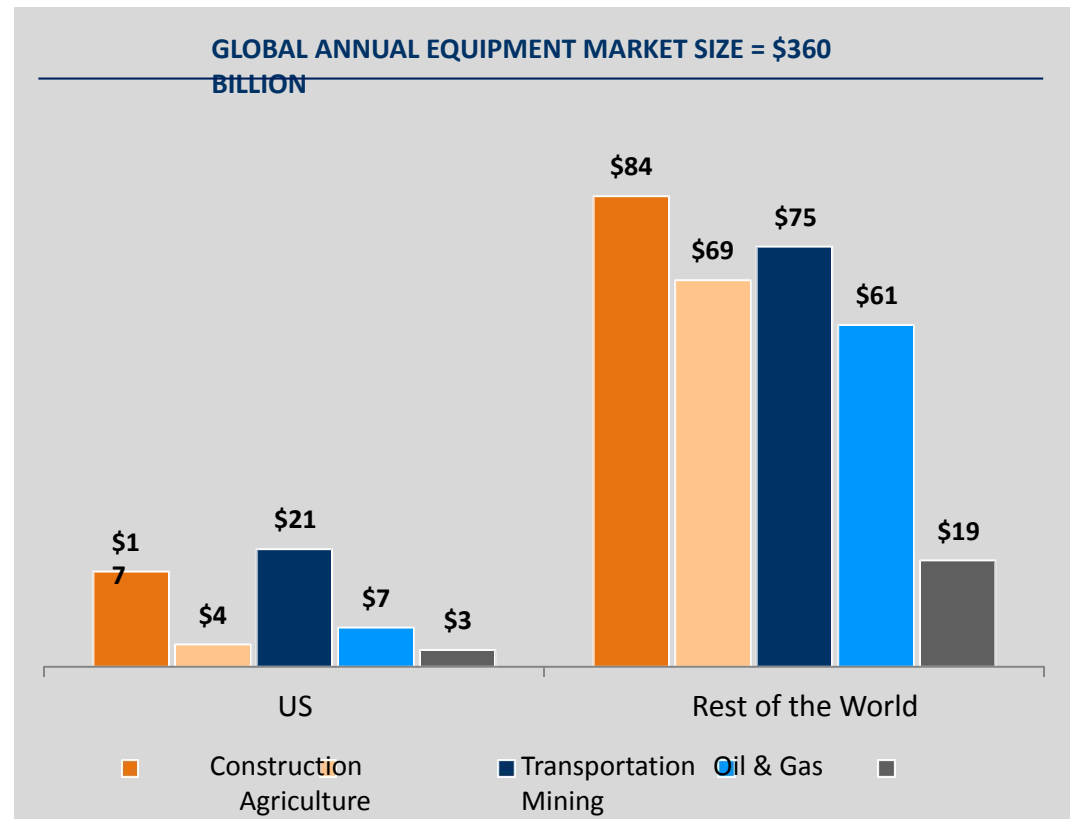


# Caters to different segments of the addressable market

**RB and IronPlanet have complementary businesses which when combined will facilitate penetration in fragmented global used equipment disposition market**

**Global annual equipment market size is \$360 bn**

- » RB is a global leader in used equipment sales, with \$4.2bn+ of equipment sold in 2015
- » However, this represents only 1.2% of the market
- » Fragmented market with over 200 competitors
- IronPlanet provides an additional platform for growth and expansion of RB's business in new and core geographies.**
  - » Opportunity to leverage leading online platform and business model with RB's brand and global reach
  - » Ability to compete in spaces RB currently does not have meaningful presence in (e.g. GovPlanet and Kruse)
  - » Leverage the growth initiatives already in progress by IronPlanet into new asset classes and geographies

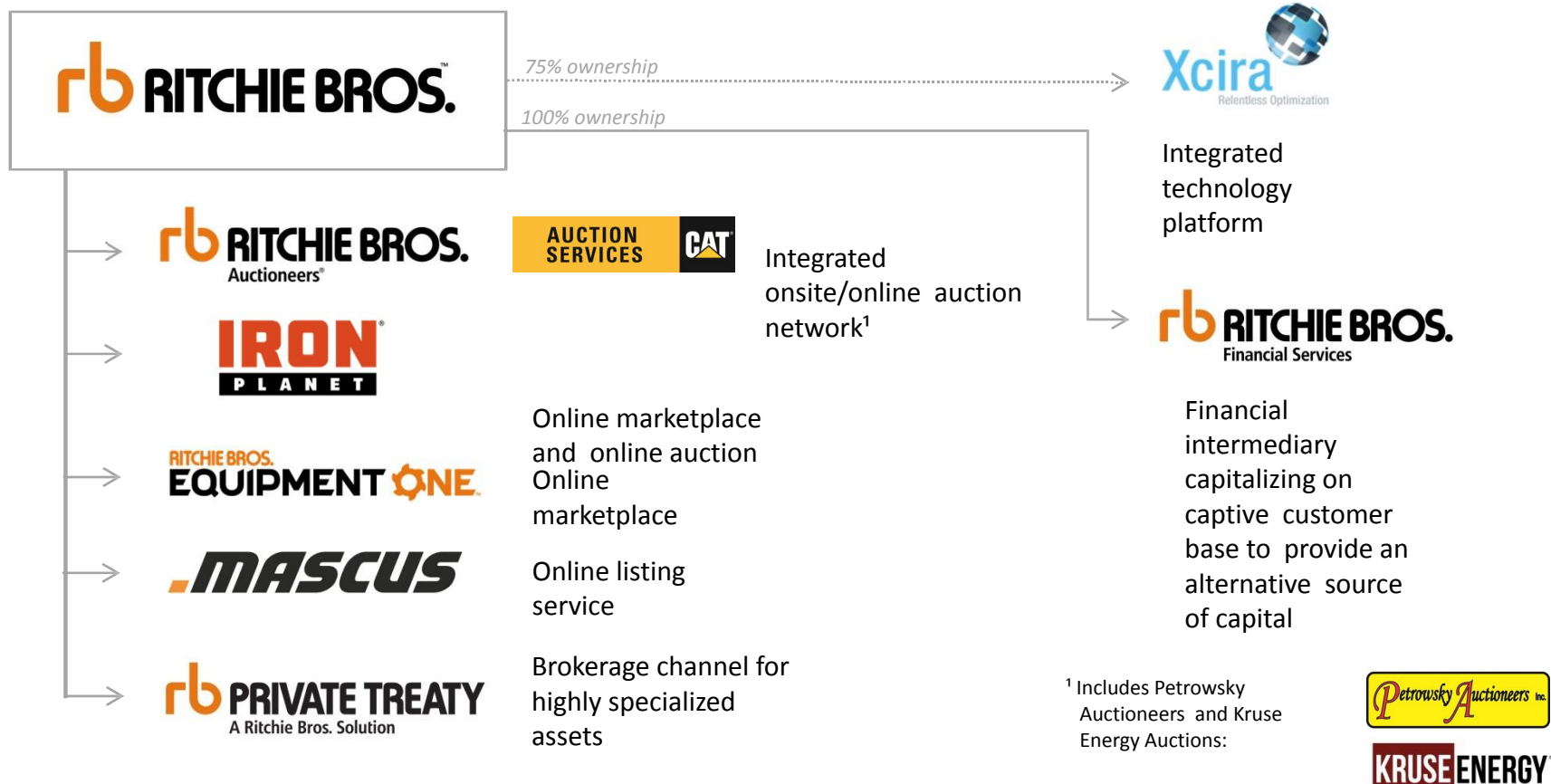




# The Ritchie Bros. family of brands

## Ritchie Bros. will offer five main sales channels to equipment owners

Business units are supported through Ritchie Bros. ownership of Xcira (online auction technology provider) and Ritchie Bros. Financial Services (financial solutions partner for equipment buyers).





## Question & Answer

### session

*Open for questions on Investor Call:*

Ravi Saligram, CEO – Ritchie

Bros. Sharon Driscoll, CFO –

Ritchie Bros. Greg Owens, CEO –

IronPlanet





## Reconciling

The following tables reconcile non-GAAP  
reconciling measures entered to in this presentation to  
re the most directly  
comparable GAAP measure reflected in the  
Company's financial statements





# Reconciliation of Ritchie Bros.

## non-GAAP measures

### Debt/Adjusted EBITDA

Our balance sheet scorecard includes the performance metric, Debt/Adjusted EBITDA, which is a non-GAAP financial measure. We believe that comparing Debt/Adjusted EBITDA on a 12-month rolling basis for different financial periods provides useful information about the performance of our operations, and in particular, it is an indicator of the amount of time it would take for 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".

We calculate Debt/Adjusted EBITDA by dividing debt by EBITDA excluding the effects of pre-tax adjusting items.

The following table presents our Debt/Adjusted EBITDA results as at and for the years ended December 31, 2015, 2014, and 2013, as well as reconciles that metric to debt and net income, which are the most directly comparable GAAP measures in our consolidated financial statements:

(in U.S. \$ millions)					
As at and for the year ended December 31,					
				% Change	
	2015	2014	2013	2015 over 2014	2014 over 2013
Short-term debt	\$ 12.4	\$ 7.8	\$ 4.4	59%	77%
Long-term debt	97.9	110.8	177.2	(12%)	(37%)
Debt	\$ 110.3	\$ 118.6	\$ 181.6	(7%)	(35%)
Net income	\$ 138.6	\$ 92.6	\$ 94.4	50%	(2%)
Add: depreciation and amortization expenses	42.1	44.6	43.3	(6%)	3%
Less: interest income	(2.7)	(2.2)	(2.7)	23%	(19%)
Add: interest expense	5.0	5.3	7.4	(6%)	(28%)
Add: current income tax expense	42.4	33.3	36.9	27%	(10%)
Less: deferred income tax recovery	(4.6)	3.2	3.4	(244%)	(6%)
Pre-tax adjusting items:					
Management reorganization	-	5.5	-	(100%)	100%
CEO Separation Agreement	-	-	4.6	0%	(100%)
Gain on sale of excess property	(8.4)	(3.4)	(9.9)	(147%)	(66%)
Impairment loss	-	8.1	-	(100%)	100%
Adjusted EBITDA	\$ 212.4	\$ 187.0	\$ 177.4	14%	5%
Debt/Adjusted EBITDA	0.5x	0.6x	1x	(17%)	(40%)

# Reconciliation of Ritchie Bros.

## non-GAAP measures

### Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") and EBITDA Margin

EBITDA and EBITDA Margin are non-GAAP financial measures that we believe provide useful information about the growth or decline of our net income when compared between different financial periods. EBITDA is also an element of the performance criteria for certain PSUs we granted to our employees and officers in 2013 and 2014. 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. EBITDA Margin presents EBITDA as a multiple of revenues.

The following table presents our EBITDA and EBITDA Margin results for the years ended December 31, 2015, 2014, and 2013, as well as reconciles those metrics to net income and revenues, which are the most directly comparable GAAP measures in our consolidated income statements:

(in U.S.\$000's)	Year ended December 31,			% Change	
	2015	2014	2013	2015 over 2014	2014 over 2013
Net income	\$ 138,575	\$ 92,563	\$ 94,445	50%	(2%)
Add: depreciation and amortization expenses	42,032	44,536	43,280	(6%)	3%
Less: interest income	(2,660)	(2,222)	(2,708)	20%	(18%)
Add: interest expense	4,962	5,277	7,434	(6%)	(29%)
Add: current income tax expense	42,420	33,321	36,909	27%	(10%)
Add: deferred income tax expense (recovery)	(4,559)	3,154	3,401	(245%)	(7%)
EBITDA	\$ 220,770	\$ 176,629	\$ 182,761	25%	(3%)
Revenues	\$ 515,875	\$ 481,097	\$ 467,403	7%	3%
EBITDA Margin	42.8%	36.7%	39.1%	17%	(6%)