RITCHIE BROS AUCTIONEERS INC
Form 6-K
August 05, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13A-16 OR 15D-16 UNDER

THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended June 30, 2014

Commission File Number: 001-13425

Ritchie Bros. Auctioneers Incorporated

9500 Glenlyon Parkway

Burnaby, BC, Canada

V5J 0C6

(778) 331 5500

(Address of principal executive offices)

indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F

Form 20-F _____ Form 40-F _X__

indicate by check mark if the registrant is submitting the Form 6-K in paper

as permitted by Regulation S-T Rule 101(b)(1): ___

indicate by check mark if the registrant is submitting the Form 6-K in paper

as permitted by Regulation S-T Rule 101(b)(7): ___

indicate by check mark whether by furnishing information contained in this Form,

the registrant is also thereby furnishing the information to the Commission pursuant to

Rule 12g3-2(b) under the Securities Exchange Act of 1934

Yes _____ No _X__

If Yes is marked, indicate below the file number assigned to the registrant in

connection with Rule 12g3-2(b): 82-______

PART 1. FINANCIAL INFORMATION

ITEM 1. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Management s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. These statements are based on current expectations and estimates about our business and markets, and include, among others, statements relating to:

- our future performance;
- growth of our operations, including the addition or replacement of auction sites;
- our internet initiatives and the level of participation in our auctions by internet bidders, and the success of EquipmentOne and our other online marketplaces;
- our ability to grow our core auction business, including our ability to increase our market share among traditional customer groups and do more business with new customer groups in new markets;
- our ability to add new business and information solutions, including, among others, our ability to use technology to enhance our auction services and support additional value-added services;
- our ability to grow our sales force, minimize turnover, and improve sales force productivity;
- the effect of Original Equipment Manufacturer (OEM) production on our Gross Auction Proceeds (GAP);
- the effect of an increased number of our Revenue Producers (as defined below), including our Territory Managers (TMs) on our sales team performance, GAP and revenues;
- the relative percentage of GAP represented by straight commission or underwritten (guarantee and inventory) contracts, and its impact on revenues and profitability;
- our Revenue Rates, the sustainability of those rates, the impact of our commission rate and fee changes, and the seasonality of GAP and revenues;
- the supply trend of equipment in the market;

our future capital expenditures;

our future plans with regard to our strategic pillars;

the proportion of our revenues and operating costs denominated in currencies other than the U.S. dollar or the effect of any currency exchange and interest rate fluctuations on our results of operations;

financing available to us and the sufficiency of our working capital to meet our financial needs;

our ability to satisfy our present operating requirements and fund future growth through existing working capital and credit facilities; and,

our ability to mitigate risks in connection with our Chief Executive Officer (CEO) transition.

Forward-looking statements are typically identified by such words as anticipate , believe , could , continue , estimate , expect , intend , may , ongoing , plan , potential , predict , will , should , would , could , likely , g 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 listed under Risk Factors in our 2013 Annual Report on Form 40-F are among those that we consider may affect our performance significantly 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 under Risk Factors below, under Risk Factors in our 2013 Annual Report on Form 40-F and other relevant factors.

About Us

Ritchie Bros. (NYSE & TSX: RBA) is the world leader for the exchange of used equipment. Our expertise, global reach, market insight and trusted brand provide us with a unique and leading position in the used equipment market. We primarily sell equipment for our customers through unreserved auctions at 44 auction sites worldwide. In addition, during 2013 we launched EquipmentOne, an online used equipment marketplace to reach a broader customer base. These two complementary exchange solutions provide different value propositions to equipment owners and allow us to meet the needs and preferences of a wide spectrum of equipment sellers.

Ritchie Bros. focuses on the sale of industrial machinery. Through our unreserved auctions and online marketplaces, we sell a broad range of used and unused industrial assets, including equipment and other assets used in the construction, agricultural, transportation, energy, mining, forestry, material handling and marine industries. The majority of the assets sold through our sales channels represent construction machinery.

We operate from over 110 locations in more than 25 countries worldwide. Our world headquarters are located in Vancouver, Canada.

Overview

The following discussion summarizes significant factors affecting the consolidated operating results and financial condition of Ritchie Bros. Auctioneers Incorporated (Ritchie Bros. , the Company , we or us) for the three- and six-month periods ended June 30, 2014 compared to the three- and six-month periods ended June 30, 2013. This discussion should be read in conjunction with our unaudited condensed consolidated interim financial statements and notes thereto for the periods ended June 30, 2014, and with the disclosures regarding forward-looking statements and risk factors included within this discussion. Additional information relating to us, including our audited consolidated financial statements and notes thereto, Management s Discussion and Analysis for the year ended December 31, 2013, and our most recent Annual Information Form, are available on our website at www.rbauction.com, on SEDAR at www.sedar.com or on EDGAR at www.sec.gov. None of the information on the SEDAR, EDGAR or our website is incorporated by reference into this document by this or any other reference. The date of this discussion is as of August 1, 2014.

We prepare our consolidated financial statements in accordance with International Financial Reporting Standards, or IFRS. Amounts discussed below are based on our unaudited condensed consolidated interim financial statements and are presented in U.S. dollars.

2

Unless indicated otherwise, all tabular dollar amounts, including related footnotes, presented below are expressed in thousands of dollars, except per share amounts.

In the following discussion and tables, net earnings, Adjusted Net Earnings, Diluted Adjusted EPS, and all related rates and margins for the three- and six-month periods ended June 30, 2014 and 2013 have been presented excluding non-controlling interest in Ritchie Bros. Financial Services, and represent only those amounts attributable to equity holders of the parent.

Second Quarter Update

We achieved net earnings of $38.6 million, or $0.36 per diluted share for the three months ended June 30, 2014. This is a 30% increase compared to net earnings of $29.8 million, or $0.28 per diluted share, generated in the same quarter of 2013.

Financial Overview	Three months ended June 30,			
(in U.S.$000 s, except EPS)	**2014**	**2013**	**$ Change**	**% Change**
Revenues	$ 141,835	$ 128,322	$ 13,513	11%
Direct expense	17,616	15,551	2,065	13%
SG&A expenses (1)	72,492	71,136	1,356	2%
Excluding depreciation and amortization	61,513	60,417	1,096	2%
Earnings from operations	51,727	41,635	10,092	24%
Other Income	734	925	(191)	(21%)
Finance Costs	728	1,312	(584)	(45%)
Income tax expense	12,598	11,220	1,378	12%
Net earnings (7)	38,607	29,795	8,812	30%
Adjusted Net Earnings (2),(3),(7)	38,607	29,795	8,812	30%
Diluted Adjusted EPS (2),(7)	$ 0.36	$ 0.28	$ 0.08	29%
Effective tax rate	24.4%	27.2%	n/a	(10%)
Gross Auction Proceeds (2),(4)	$ 1,229,204	$ 1,072,942	$ 156,262	15%
Revenue Rate (2),(5)	11.54%	11.96%	n/a	(4%)
Direct Expense Rate	1.43%	1.45%	n/a	(1%)
EBITDA Margin (2),(6)	44.2%	40.8%	n/a	8%

(1) Selling, general and administrative expenses (SG&A) includes depreciation and amortization expense.

(2) These are non-GAAP measures, which are reconciled to the unaudited condensed consolidated interim financial statements under Non-GAAP Measures . We believe that comparing Adjusted Net Earnings, Diluted Adjusted Net EPS, GAP, Revenue Rate and EBITDA Margin for different financial periods provides more useful information about the growth or decline of our net earnings for the relevant financial period, and eliminates the financial impact of items we do not consider to be part of our normal operating results.

(3) Adjusted Net Earnings represents financial statement net earnings excluding the after-tax effects of excess property sales and certain other non-recurring items.

(4) GAP represents the total proceeds from all items sold at our auctions and the Gross Transaction Value (GTV) sold through our online marketplaces. It is not a measure of our financial performance, liquidity or revenue and is not presented in our annual consolidated income statements. GTV represents total proceeds from all items sold at our online marketplaces and is a component of our GAP results. In addition to the total value of the items sold in online marketplace transactions, GTV includes a buyers premium component applicable only to our online marketplace transactions. GTV is not a measure of our financial performance, liquidity or revenue and is not presented in our annual consolidated income statements. We believe that revenues, which is the most directly comparable measure in our consolidated income statements, and certain other line items, are best understood by considering their relationship to GAP and GTV.

(5) Revenue Rate is our revenues divided by our GAP.

(6) Earnings before interest, taxes, depreciation and amortization (EBITDA) is a non-GAAP measure calculated using the information disclosed in our condensed consolidated interim financial statements by adding back depreciation and amortization expense to earnings from operations. EBITDA Margin is EBITDA as a proportion of revenues.

(7) Figures presented include the results attributable to our 51% interest in Ritchie Bros. Financial Services to conform with the presentation adopted in our audited consolidated financial statements.

Quarterly Overview

Gross Auction Proceeds were a record $1.2 billion for the quarter ended June 30, 2014, an increase of 15% compared to the same period in 2013.

Revenues increased by 11% to $141.8 million in the second quarter of 2014 from $128.3 million in the same period of 2013, primarily as the result of the increase in GAP, offset by a decrease in our Revenue Rate. The decrease in our Revenue Rate was due to the performance of our underwritten business. While our Revenue Rate decreased period-over-period, the second quarter 2014 rate is consistent with our three-year historical average.

Additional highlights included:

- Appointment of Ravi Saligram as Chief Executive Officer (CEO) on July 7, 2014.
- Appointment of Beverley Briscoe as Chair of our Board of Directors on June 30, 2014.
- Achieving the highest quarterly revenues in the Company s history.
- Holding our largest ever Canadian auction ($130 million) in Edmonton, Alberta.

EquipmentOne Update

The summary results above and the following discussion include the results of operations from EquipmentOne. Included in our consolidated GAP results for the three months ended June 30, 2014 is the Gross Transaction Value[1] from our online marketplaces of $29.6 million, which is consistent with the comparative GTV for the three months ended June 30, 2013 of $29.1 million.

The following table reflects the results of our operations from EquipmentOne:

(in U.S. $ millions)	Three months ended June 30,			
	2014	2013	$ Change	% Change
Revenues	$ 3.3	$ 3.7	$ (0.4)	(11%)
SG&A expenses excluding depreciation and amortization	(3.9)	(4.4)	0.5	11%

EBITDA	$ (0.6)	$ (0.7)	$ 0.1	14%

Online marketplace revenues were down in the second quarter of 2014 compared to the second quarter of 2013, primarily as result of a decrease in listings and Revenue Rate. We plan to evolve our strategy to build a critical mass of listings on the EquipmentOne marketplace and accelerate growth.

[1] Refer to note 4 in the Second Quarter Update Financial Overview table for a definition of GTV. The buyers premiums included in our GAP and GTV results for the three months ended June 30, 2014 were $2.3 million. The comparative buyers premiums for the three months ended June 30, 2013 were $2.3 million. The addition of $2.3 million in buyers premiums to GAP reported in the second quarter of 2013 would have the effect of reducing our Revenue Rate reported in that period by 3 basis points.

4

Gross Auction Proceeds

GAP was $1.2 billion for the quarter ended June 30, 2014, which is an increase of 15% compared to the same period in 2013. GAP for the second quarter of 2014 would have been even higher by $28.9 million if foreign exchange rates had remained consistent with those in the second quarter of 2013.

Straight commission contracts accounted for the majority of GAP in the second quarter of 2014, with the remaining 32% generated by guarantee and outright purchase contracts, which we refer to as our underwritten business. This compares to 27% of GAP generated by our underwritten business in the second quarter of 2013. The increase in our underwritten business is consistent with our focus and strategic approach to competitive deals available in the marketplace.

Revenues and Revenue Rate

Revenues include both commission income earned from equipment sellers and fee income earned from equipment buyers. Revenues for the second quarter of 2014 increased to $141.8 million compared to $128.3 million for the same period in 2013, due to an increase in GAP, partially offset by a reduced Revenue Rate. Our Revenue Rate for the three months ended June 30, 2014 decreased to 11.54% from 11.96% for the same period in 2013 due to the performance of our underwritten business.

In the second quarter of 2014, our average commission rate was 9.17% compared to 9.52% in the same period of 2013. Over the past five years our quarterly commission rate has ranged between 8.47% and 10.82%. Our commission rate and overall Revenue Rate is presented in the graph below.

(1) The revised administrative fee that took effect on July 1, 2011 has contributed to an increase in our Revenue Rate of approximately 125 basis points since its introduction.

On an annual basis, our fee income as a percentage of GAP remained relatively consistent. Our fee income earned in the three months ended June 30, 2014 was 2.37% of GAP, a slight decrease compared to 2.44% in the same period of 2013 due primarily to the mix of equipment sold at our auctions.

During the three months ended June 30, 2014, due in part to our record auction in Edmonton, Alberta, we saw a significant increase in revenue earned in Canada. Variations in our geographic revenue distribution can occur on a quarterly basis depending on the timing and location of auctions. Our geographic revenue distribution is presented below:

Revenue distribution	**United States**	**Canada**	**Europe**	**Other**
Three months ended June 30, 2014	38%	43%	10%	9%
Three months ended June 30, 2013	44%	36%	11%	9%

Direct Expense Rate

Our direct expense rate, which represents direct expenses as a percentage of GAP, fluctuates from period to period based in part on the size and location of the auctions we hold during the particular period. The direct expense rate generally decreases as the average size of our auctions increase. In addition, we usually experience lower direct expense rates for auctions held at our permanent auction sites compared to auctions held at offsite locations, mainly as a result of the economies of scale and other efficiencies that we typically experience at permanent auction sites.

Our direct expense rate for the three months ended June 30, 2014 decreased slightly to 1.43% compared to 1.45% for the same period in 2013.

Selling, General and Administrative Expenses

Our SG&A expenses increased slightly to $72.5 million in the second quarter of 2014, compared to $71.1 million in the same period of 2013, an increase of $1.4 million or 2%. SG&A expenses by nature are presented below:

(in U.S. $000 s)	Three months ended June 30,			
	2014	**2013**	**$ Change**	**% Change**
Employee compensation expense	$ 39,894	$ 39,551	$ 343	1%
Buildings and facilities	10,370	10,420	(50)	-
Travel, advertising and promotion	5,259	4,127	1,132	27%
Other SG&A expenses	5,990	6,319	(329)	(5%)
	$ 61,513	$ 60,417	$ 1,096	2%
Depreciation and amortization	10,979	10,719	260	2%
SG&A expenses	$ 72,492	$ 71,136	$ 1,356	2%

Travel, advertising and promotion costs increased by $1.1 million in the second quarter of 2014, as compared to the second quarter of 2013, primarily as a result of greater tradeshow activity in support of our sales and marketing efforts, and travel related to the global roll-out of our sales force automation tool.

6

The table below presents our SG&A expenses by function and illustrates the continued investment in our sales and marketing efforts, including the impact of an increased number of Revenue Producers by a net amount of 14 compared to June 30, 2013, while controlling costs related to our Operations and Administration teams.

(in U.S. $000 s)	Three months ended June 30			
	2014	2013	$ Change	% Change
Sales and marketing	$ 21,663	$ 19,566	$ 2,097	11%
Operations	14,341	14,644	(303)	(2%)
Administration	21,580	21,848	(268)	(1%)
	$ 57,584	$ 56,058	$ 1,526	3%
EquipmentOne	3,929	4,359	(430)	(10%)
Depreciation and amortization	10,979	10,719	260	2%
Selling, general and administrative expense	$ 72,492	$ 71,136	$ 1,356	2%

Depreciation and amortization expenses are calculated on either a straight-line or declining-balance basis on assets employed in our business, including buildings, land improvements, computer hardware and software, automobiles, office and yard equipment, and intangible customer relationships. Our depreciation and amortization expenses increased $0.3 million, or 2%, for the quarter ended June 30, 2014, compared to the same period in 2013, due to the development and deployment of our information systems.

Other Income and Expense

Other income includes the gains or losses from the disposition of property, plant and equipment, foreign exchange gains and losses, and other income or loss not earned in the normal course of operations. Other income in the second quarter of 2014 decreased $0.2 million over the same period in 2013 primarily due to foreign exchange losses of $0.2 million in the second quarter of 2014.

Finance Income and Costs

Finance income consists of interest earned on our excess cash and receivable balances. It fluctuates depending on the timing of receipt of auction proceeds and on our cash position, which is affected by the timing, size and number of auctions held around period end.

Finance costs include interest paid on long-term debt and revolving credit facilities, offset by interest that has been capitalized as part of self-constructed assets. These costs decreased in the second quarter of 2014 compared to the same period of 2013 due primarily to lower interest expense as our outstanding borrowings have been reduced, including through the reduction in our non-current borrowings in 2014, as well as by an increase in interest capitalized primarily related to the continued development of our information systems.

Effective Tax Rate

Our effective tax rate is a function of the relationship between total tax expense and the amount of earnings before income taxes for the year. Our effective tax rate differs from period to period as a result of changes in the source of our earnings as a result of auctions held each period, the treatment of adjustments for changes in tax rates and other tax legislation, variations in the estimate of tax reserves, and differences between the provision and the actual amounts recognized in tax returns.

For the three months ended June 30, 2014, income tax expense was \$12.6 million, compared to income tax expense of \$11.2 million in the second quarter of 2013. Our effective tax rate of 24.4% for the second quarter of 2014 was lower than the rate of 27.2% in the same period in 2013. The decrease was primarily the result of an increase in income earned in various jurisdictions allowing us to recognize more tax losses, and an increase in deferred tax asset values on revaluation of stock options at higher share prices.

Net Earnings

Net earnings for the three months ended June 30, 2014 were $38.6 million, or $0.36 per diluted share, compared to net earnings of $29.8 million, or $0.28 per diluted share, for the three months ended June 30, 2013. This 30% increase is primarily the result of increased revenues and controlled SG&A expenses, combined with a reduction in our income tax rate.

Net income for the second quarter of 2014 would have been even higher by $1.7 million if foreign exchange rates had remained consistent with those in the second quarter of 2013.

Revenue Flow-through Rate[2]

We believe that the table below showing our Revenue Flow-through Rate illustrates our operational leverage in our core auction business, and the effect of changes in our revenues on our EBITDA margin.

(in U.S.$ millions)	Three months ended June 30, 2014			
	Incremental Revenues 2014 over 2013	Incremental Operating Expenses 2014 over 2013	Incremental EBITDA 2014 over 2013	Revenue flow-through Rate
Core auction business	$ 13.9	$ 3.6	$ 10.3	74%

(in U.S.$ millions)	Three months ended June 30, 2013			
	Incremental Revenues 2013 over 2012	Incremental Operating Expenses 2013 over 2012	Incremental EBITDA 2013 over 2012	Revenue flow-through Rate
Core auction business	$ (2.6)	$ (1.5)	$ (1.1)	(42%)

Revenues for the second quarter of 2014 increased by $13.9 million compared to the second quarter of 2013, partially offset by an increase of $3.6 million in operating expenses over the same period. The net result was that 74% of the increased revenues flowed directly to our EBITDA and increased our EBTIDA margin in the second quarter of 2014 compared to the second quarter of 2013.

[2] Revenue Flow-through is calculated as incremental revenues in the period less incremental operating expenses (direct expenses and SG&A excluding depreciation and amortization), and demonstrates the impact of incremental revenues on our EBITDA. Revenue Flow-through Rate presents Revenue Flow-through as a percentage of the absolute value of incremental revenues. Revenue Flow-through and Revenue Flow-through Rate are non-GAAP measures and are reconciled to the unaudited condensed consolidated interim financial statements under Non-GAAP Measures . We believe that comparing the influence of incremental revenues on EBITDA for different financial periods provides additional useful information about our performance for the relevant financial period.

8

Year-to-Date Performance

Our net earnings for the first half of 2014 were $52.9 million, or $0.49 per diluted share. This represents a 21% increase over net earnings of $43.8 million, or $0.41 per diluted share generated in the first half of 2013.

Financial Overview		Six months ended June 30,					
(in U.S.$000 s, except EPS)		**2014**		**2013**		**$ Change**	**% Change**
Revenues	$	240,423	$	230,380	$	10,043	4%
Direct expense		27,916		24,912		3,004	12%
SG&A expenses (1)		143,061		142,225		836	1%
Excluding depreciation and amortization		121,485		121,186		299	-
Earnings from operations		69,446		63,243		6,203	10%
Other income		2,903		995		1,908	192%
Finance costs		1,639		2,529		(890)	(35%)
Income tax expense		17,057		17,635		(578)	(3%)
Net earnings (7)		52,864		43,784		9,080	21%
Adjusted Net Earnings (2),(3),(7)		52,864		43,784		9,080	21%
Diluted Adjusted EPS (2),(7)	$	0.49	$	0.41	$	0.08	20%
Effective tax rate		24.1%		28.6%		n/a	(16%)
Gross Auction Proceeds (2),(4)	$	2,084,581	$	1,918,295	$	166,286	9%
Revenue Rate (2),(5)		11.53%		12.01%		n/a	(4%)
Direct Expense Rate		1.34%		1.30%		n/a	3%
EBITDA Margin (2),(6)		37.9%		36.6%		n/a	3%

For notes 1 through 7, see the corresponding notes in the Second Quarter Update Financial overview table.

EquipmentOne Update

The summary results above and the following discussion include the results of operations from EquipmentOne.

Included in our consolidated GAP results for the six months ended June 30, 2014 is the GTV[3] from our online marketplaces of $48.0 million, which is consistent with the comparative GTV for the six months ended June 30, 2013 of $49.5 million.

The following table reflects the results of our operations from EquipmentOne:

(in U.S. $ millions)		Six months ended June 30,					
		2014		**2013**		**$ Change**	**% Change**
Revenues	$	5.7	$	6.7	$	(1.0)	(15%)

SG&A expenses excluding depreciation and amortization		(8.0)		(9.0)		1.0	11%
EBITDA	$	(2.3)	$	(2.3)	$	-	-

[3] The buyers premiums included in our GAP and GTV results for the first half of 2014 were $3.9 million. The comparative buyers premiums for the first half of 2013 were $4.0 million. The addition of $4.0 million in buyers premiums to GAP reported in the first half of 2013 would have the effect of reducing our Revenue Rate reported in that period by 3 basis points.

During the first half of 2014 revenues were down due to the decrease in GTV and reduced Revenue Rate. As noted previously, we plan to evolve our strategy to build a critical mass of listings on this marketplace.

Gross Auction Proceeds

GAP was $2.1 billion for the six months ended June 30, 2014, an increase of 9% compared to the same period in 2013. GAP for the first half of 2014 would have been even higher by $44.1 million if foreign exchange rates had remained consistent with those in the first half of 2013.

Straight commission contracts accounted for the majority of GAP in the first half of 2014, with the remaining 29% generated by our underwritten business, compared to 24% in the first half of 2013. The increase in our underwritten business is consistent with our focus and strategic approach to competitive deals available in the marketplace.

Revenues and Revenue Rate

Revenues for the first half of 2014 increased 4% to $240.4 million compared to $230.4 million for the same period in the prior year primarily due to an increase in GAP. Our Revenue Rate for the six months ended June 30, 2014, decreased to 11.53% from 12.01% for the same period in 2013. This decrease in the rate in the first six months of 2014 was due to the performance of our underwritten business. Also contributing to the decrease in revenue was the change in foreign exchange rates.

In the second half of 2014, our average commission rate was 9.16% compared to 9.60% in the same period of 2013. Our fee income earned in the first half of 2014 was 2.37% of GAP, consistent with the 2.41% rate earned in the same period of 2013.

During the six months ended June 30, 2014, we saw an increase in revenue earned in Canada as compared to the same period in 2013. Variations in geographic revenue distribution can occur on a quarterly basis depending on the timing and location of auctions.

Our geographic revenue distribution is presented below:

Revenue distribution	**United States**	**Canada**	**Europe**	**Other**
Six months ended June 30, 2014	46%	33%	11%	10%
Six months ended June 30, 2013	50%	28%	12%	10%

Direct Expense Rate

Our direct expense rate for the six months ended June 30, 2014 increased slightly to 1.34% compared to 1.30% for the same period in 2013. This increase is due to more agricultural and frontier market auctions held and larger offsite auctions in the first half of 2014 compared to the first half of 2013.

Selling, General and Administrative Expenses

Our SG&A expenses increased slightly to $143.1 million in the first half of 2014, compared to $142.2 million in the same period of 2013, an increase of $0.8 million or 1%.

SG&A expenses by nature are presented below:

(in U.S. $000 s)	Six months ended June 30,			
	2014	2013	$ Change	% Change
Employee compensation expense	$ 77,372	$ 77,916	$ (544)	(1%)
Buildings and facilities	21,151	20,662	489	2%
Travel, advertising and promotion	11,458	10,339	1,119	11%
Other SG&A expenses	11,504	12,269	(765)	(6%)
	$ 121,485	$ 121,186	$ 299	-
Depreciation and amortization	21,576	21,039	537	3%
SG&A expenses	$ 143,061	$ 142,225	$ 836	1%

Travel, advertising and promotion costs increased by $1.1 million in the first half of 2014, as compared to the first half of 2013, primarily as a result of greater tradeshow activity, travel related to the roll-out of our sales force automation tool, and expanded EquipmentOne marketing.

The table below presents our SG&A expenses by function and illustrates the continued investment in our sales and marketing efforts, including the impact of an increased number of Revenue Producers by a net amount of 14 since June 30, 2013, and the effect of cost management initiatives within our Operations and Administration teams.

(in U.S. $000 s)	Six months ended June 30			
	2014	2013	$ Change	% Change
Sales and marketing	$ 43,872	$ 41,060	$ 2,812	7%
Operations	30,703	31,060	(357)	(1%)
Administration	38,918	40,050	(1,132)	(3%)
	$ 113,493	$ 112,170	$ 1,323	1%
EquipmentOne	7,992	9,016	(1,024)	(11%)
Depreciation and amortization	21,576	21,039	537	3%
Selling, general and administrative expense	$ 143,061	$ 142,225	$ 836	1%

Our depreciation and amortization expenses for the first half of 2014 increased $0.5 million or 3% over the comparative period in 2013, primarily as a result of the continued development of our information systems.

Other Income and Expense

Other income in the first half of 2014 increased by $1.9 million over the same period in 2013 primarily as a result of foreign exchange gains of $1.1 million in the first half of 2014. Additionally, in the first half of 2013, we incurred a $0.7 million litigation expense that reduced the comparative period results in 2013.

Finance Income and Costs

Net finance costs decreased in the first half of 2014 compared to the same period of 2013 due primarily to lower interest expense as our outstanding non-current borrowings were reduced during that same period. Additionally, an increase in interest capitalized related to the continued development of our information systems had the effect of reducing overall interest expense during the first half of 2014 compared to the first half of 2013.

Effective Tax Rate

Our effective tax rate of 24.1% for the first half of 2014 was lower than the 28.6% that was effective during the same period in 2013. The decrease was primarily the result of a lower estimate of liabilities for tax uncertainties, an increase in income earned in various jurisdictions allowing us to recognize more tax losses, and an increase in deferred tax asset values on revaluation of stock options at higher share prices.

Net Earnings

Net earnings for the six months ended June 30, 2014 were $52.9 million, or $0.49 per diluted share, compared to net earnings of $43.8 million, or $0.41 per diluted share, for the six months ended June 30, 2013. This 21% increase is primarily the result of an increase in revenue combined with a reduction of income tax expense and an increase in foreign exchange gains recognized in other income.

Revenue Flow-through Rate[4]

We believe that the table below showing our Revenue Flow-through Rate illustrates our operational leverage in our core auction business, and the effect of changes in our revenues on our EBITDA margin.

(in U.S.$ millions)	Six months ended June 30, 2014			
	Incremental Revenues 2014 over 2013	Incremental Operating Expenses 2014 over 2013	Incremental EBITDA 2014 over 2013	Revenue flow-through Rate
Core auction business	$ 11.0	$ 4.3	$ 6.7	61%

(in U.S.$ millions)	Six months ended June 30, 2013			
	Incremental Revenues 2013 over 2012	Incremental Operating Expenses 2013 over 2012	Incremental EBITDA 2013 over 2012	Revenue flow-through Rate
Core auction business	$ (5.6)	$ (0.5)	$ (5.1)	(91%)

Revenues for the first half of 2014 increased by $11.0 million compared to the first half of 2013, partially offset by an increase of $4.3 million in operating expense over the same period. The net result was that 61% of the increased revenues flowed directly to our EBITDA and increased our EBTIDA margin in the first half of 2014 compared to the first half of 2013.

Used Equipment Market Update

During the second quarter of 2014, the used equipment market remained stable following the increase we saw in the first quarter, resulting in strong overall pricing during the first half of 2014. Used equipment supplies for good-quality, low-hour equipment continued to increase and demand for such equipment continued to be strong at our auction sites across all geographies.

We believe that the increase in Original Equipment Manufacturing (OEM) production beginning in 2010 is generating more transactions in the current used equipment marketplace and creating larger pools of used equipment for future transactions. Overall, our operations in Canada and the United States saw GAP growth in the second quarter of 2014 compared to the same period in 2013, although that performance varied regionally.

[4] Refer to footnote 2 for definitions of Revenue Flow-through and Revenue Flow-through Rate.

Strategy Update

Our mission is to provide compelling business solutions that enable the world s builders to easily and confidently exchange equipment. The following three strategic pillars are the foundation upon which we have built our strategy to achieve our mission.

GROW our core auction business

We continue to focus on increasing our market share with our traditional customer groups, while simultaneously seeking to do more business with new customer groups and in new markets.

During the first half of 2014 we continued to develop our sales channels through existing customers. Our ability to effectively focus on sales and marketing efforts resulted from steps we took in strengthening our sales-management process, growing our lead generation and sales support teams, and implementing state-of-the-art sales tools.

In addition, we believe that part of the success in growing our GAP in the first half of 2014 is the result of being able to simultaneously offer unreserved auction and online marketplace solutions, which provided us with opportunities to reach a wider customer base than with a single unreserved auction solution.

ADD new business and information solutions

We intend to add new business and information solutions that will assist the world s builders to easily and confidently exchange equipment.

Since EquipmentOne s launch last year, we have continued to improve our EquipmentOne offering to more effectively meet our customers needs and enhance user experience. Part of this process has involved adapting our marketing practices to maximize the number of subscribers and visits to those marketplaces. Our goal in making such investments in our marketing program is to grow the number of EquipmentOne website visits and increase the demand for equipment within our marketplaces. Another aspect of the continued improvement process has been to enhance our marketplaces by forming additional access points to those marketplaces through various partnerships with other organizations.

In addition, we plan to evolve our strategy to build a critical mass of listings on this marketplace.

In the first half of 2014 we successfully completed the first phase of our transition to a sales force automation tool. We feel that this initiative will provide our sales team with an additional tool to enhance their future productivity.

PERFORM by building an inspired high-performance, customer-focused Ritchie Bros. team

To maintain our high standards of customer service, we employ people who we believe embody our core values, especially the value of putting our customers first. In order to grow our business we believe that we must continue to build a high performance customer focused team, particularly our sales team.

The growth in our headcount in the quarter is largely the result of our ongoing recruiting efforts to expand our sales team, specifically our Revenue Producers. Our headcount statistics are presented below.

	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Full-time employees	1,455	1,422	1,385	1,402	1,450
Revenue Producers	364	358	340	343	350
TMs	292	287	272	273	280

During the first six months of 2014 we increased the number of Revenue Producers by net 24, of which 20 were TMs. This represents a net increase of 7% during the six months ended June 30, 2014, and a net increase of 14, or 4%, over the number of Revenue Producers we had at June 30, 2013. Our 292 TMs at June 30, 2014 is the highest number we have had in our history.

We continue to make the growth and development of our sales team a strategic focus in 2014, as we believe the previous higher turnover in our sales personnel contributed to the stagnation of GAP and revenues in recent periods. We believe that our increased number of Revenue Producers, in conjunction with training and placement in appropriate markets and the increase in our Territory Sales Support personnel, will lead to improved performance from our sales team and an increase in GAP and revenues in future periods.

Operations Update

During the first six months of 2014 we conducted 103 unreserved industrial auctions at locations in North America, Central America, Europe, the Middle East, Australia and Asia (2013: 108 unreserved industrial auctions).

During the first six months of 2014, 87% of our GAP was attributable to auctions held at our permanent auction sites and regional auction sites (2013: 89%).

Our key industrial auction metrics for the first six months of 2014 and 2013 are shown below:

Key industrial auction metrics	**Six months ended June 30,**	
	2014	**2013**
Bidder registrations	216,000	205,500
Consignments	21,600	21,050
Buyers	52,850	51,100
Lots	146,000	147,500

For a breakdown of these key industrial auction metrics by month, please refer to our website at www.rbauction.com. None of the information in our website is incorporated by reference into this document by this or any other reference.

Although our auctions vary in size, our average industrial auction results for the three-month and 12-month periods ended June 30 are described in the following tables:

Average per industrial auction	**Three months ended June 30,**	
	2014	**2013**
Gross Auction Proceeds	$ 16.1 million	$ 13.3 million
Bidder registrations	1,852	1,665
Consignors	187	171
Lots	1,230	1,190

Our average industrial auction metrics increased in the second quarter of 2014 due to our focused efforts on growing the business and an improved used equipment market.

Average per industrial auction	**12 months ended June 30,**	
	2014	**2013**
Gross Auction Proceeds	$ 15.1 million	$ 15.7 million
Bidder registrations	1,815	1,798
Consignors	184	190
Lots	1,248	1,310

Average industrial auction metrics on a rolling 12-month basis decreased period-over-period, except for the number of bidder registrations, due to the performance of our auctions in the third quarter of 2013, as compared to the same quarter in 2012. The period-over-period decrease was partially offset by positive momentum since the fourth quarter of 2013, which is reflected in our second quarter average industrial auction metrics above.

Online bidding metrics

We continue to see an increase in the use and popularity of our online bidding system, which allows bidders to participate in our auctions over the internet. We sold approximately $840 million of equipment, trucks and other assets to online bidders during the first six months of 2014, compared to $720 million in the first half of 2013, representing an increase of 17%. Online buyers represented 40% of GAP during the first half of 2014, compared to 38% of GAP during the first half of 2013.

Website metrics

The Ritchie Bros. website (www.rbauction.com) is a gateway to our online bidding system and showcases upcoming auctions and equipment to be sold. Ritchie Bros. EquipmentOne website (www.equipmentone.com) provides access to our online equipment marketplace.

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

The following table provides information about the unique visitors to our websites:

Unique website visitors	**Six months ended June 30,**	
	2014	**2013**
rbauction.com unique visitors	3.3 million	3.5 million
equipmentone.com unique visitors	0.4 million	0.3 million

Summary of Quarterly Results (Unaudited)

	Q2 2014	Q1 2014	Q4 2013	Q3 2013
GAP(2),(4)	$ 1,229,204	$ 855,377	$ 1,109,834	$ 789,640
Revenues	$ 141,835	$ 98,588	$ 131,223	$ 105,800
Net earnings(7)				